



## County Administrative Office

June 2015

I hereby submit the 2015-16 Adopted Budgets, guided by the Countywide Vision. The Countywide Vision calls for the creation of a “complete county” that capitalizes on its many assets to collaboratively establish a sustainable system of economic opportunity, education, well-being and amenities. The Countywide Vision and the Board-adopted County Goals and Objectives provide County government with clear direction as it makes budget decisions. County departments, Board Governed Special Districts and Other Agencies built their 2015-16 Adopted Budgets to achieve the Board’s policy direction.

The 2015-16 Adopted Budget of \$5.2 billion is balanced and, consistent with policy direction received from the Board of Supervisors, no reserves are being used to fund ongoing costs and there is limited use of one-time sources to fund operating costs. The 2015-16 Adopted Budgets address the following key issues:

- Funding of medical and mental health services in County detention centers
- Funding to begin restoration of services reduced during the recession
- Ongoing funding for maintenance of County roads
- Continues investment in capital improvement and transportation projects
- Maintains fiscal responsibility through contributions to reserves of \$68.5 million

This budget book presents the County General Fund and County restricted general funds. It also presents capital project funds, special revenue funds, enterprise funds, internal service funds and permanent funds for all entities in the 2015-16 Adopted Budget book including the County, Board Governed County Service Areas, San Bernardino County Fire Protection District, San Bernardino County Flood Control District, Big Bear Valley Recreation and Park District, and Bloomington Recreation and Park District. Other agencies presented in this budget book include County Industrial Development Authority, Economic and Community Development Corporation, In-Home Supportive Services Public Authority, and Inland Counties Emergency Medical Agency. The total requirements for these funds in 2015-16 are \$5.2 billion, which includes amounts budgeted as contingencies or contributions to reserves. Excluding these amounts, total projected expenditures for 2015-16 are \$4.7 billion.

### BOARD OF SUPERVISORS

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Chief Executive Officer

General Fund requirements total \$2.9 billion and are funded by Countywide discretionary revenues (primarily property taxes), departmental revenues, and other funding sources of the General Fund. Of this \$2.9 billion, only \$616.7 million is truly discretionary.

	Requirements (In Millions)		
	2014-15 Final	2015-16 Adopted	Change
General Fund	\$ 2,802.4	\$ 2,892.8	\$ 90.4
Restricted General Funds	51.1	49.3	(1.8)
Capital Project Funds	288.2	221.3	(66.9)
Special Revenue Funds	1,097.9	1,151.5	53.6
Enterprise Funds	692.2	692.2	0.0
Internal Service Funds	227.7	238.8	11.1
Permanent Funds	1.6	1.6	0.0
	<u>\$ 5,161.1</u>	<u>\$ 5,247.5</u>	<u>\$ 86.4</u>

The \$90.4 million net increase in General Fund requirements includes notable increases in the two largest County operational groups: Human Services (\$49.1 million) and Law and Justice (\$13.0 million). The Human Services Operational Group is anticipating increased State and Federal funding primarily to support increased caseloads and provide additional services for participants of the Welfare to Work and Child Welfare Services programs. The County is also allocating significant additional resources to meet the growing need for augmented correctional services associated with Public Safety Realignment. This includes the need for additional medical and mental health services for County inmates and improving span of control at West Valley Detention Center.

The 2015-16 County General Fund budget also reflects the shift from budgeting for future infrastructure projects and economic uncertainties in contingencies to instead contributing these amounts to reserves. This change in approach better characterizes the multi-year nature of projects, economic impacts and other needs to be addressed with limited General Fund resources. This has resulted in a \$68.5 million contribution to General Fund Reserves, an \$18.8 million increase from 2014-15.

The \$1.8 million decrease in Restricted General Funds is caused primarily by a reduction in the transfer from the Health Realignment Fund to the Arrowhead Regional Medical Center as a result of State legislation (AB 85). This legislation requires a redirection of a portion of health realignment revenues, which will therefore not be available for ARMC operations. However, overall operations of the hospital are not anticipated to be impacted as net sources available to the department are increasing \$10.9 million in 2015-16.

The \$66.9 million decrease in Capital Project Funds is primarily due to a decrease in budgeted expenditures for the 800 MHz Upgrade Project, the Sheriff's Crime Lab Expansion Project, and the Buildings Acquisition and Retrofit Project as compared to 2014-15.

The increase of \$53.6 million in Special Revenue Funds is primarily due to increases within the Department of Behavioral Health's Mental Health Services Act (MHSA) budget unit and the Flood Control District budget units. The MHSA budget unit is increasing Requirements by \$12.4 million to meet the growing need for Clinical Mental Health Services within the County and is also increasing available reserves by \$15.5 million. The Flood Control District budget units are increasing available



reserves by \$19.5 million as the result of the receipt of a settlement payment related to an insurance coverage action (\$14.0 million) and delayed capital projects (\$6.1 million) in 2014-15. Flood Control's increases in 2014-15 are largely being set aside as reserves in 2015-16 for future planned capital projects and for response to emergency storm events.

Internal Service Funds requirements are increasing a net \$11.1 million. The most notable change is in the Information Services Department, which will fund a capital improvement project for warehouse space that will include specialty vehicle storage and office space.

	<b>Budgeted Staffing</b>		
	<b>2014-15 Final</b>	<b>2015-16 Adopted</b>	<b>Change</b>
County General Fund	13,852	14,115	263
County - Other Funds	6,307	6,370	63
Special Districts and Other Agencies	1,307	1,270	(37)
	<u>21,466</u>	<u>21,755</u>	<u>289</u>

Budgeted staffing for 2015-16 is 21,755, an increase of 289 positions from the 2014-15 Final Budget. General Fund staffing is increasing by 263 positions, primarily due to net increases to the Department of Behavioral Health (65) for Correctional and Clinical Mental Health services and Alcohol and Drug services; to the Probation – Administration, Correction, Detention budget unit (43) for the expanded state SB 678 supervision program, which aids in the reduction of County commitments to State prison; to the Human Services Administrative Claim budget unit (28) primarily to provide for the oversight, mentoring, and training of line staff in the Children and Family Services Department; and the Sheriff's Department – Detentions budget unit (18) to provide for increased level of health screenings for inmates and to improve span of control at West Valley Detention Center.

Staffing in Other County Funds is increasing by 63 positions primarily due to the expansion of Adult System of Care programs within the Behavioral Health – Mental Health Services Act (29) budget unit and the Head Start Program for the Preschool Services Department (14).

Special Districts and Other Agencies are decreasing by 37 positions. This is primarily due to decreases within the Fire Protection District, which has a net decrease of 38 positions mainly due to the deletion of vacant limited term and paid call firefighter positions. These deletions will have no impact on operations.

## **HIGHLIGHTS OF 2015-16 ADOPTED BUDGET**

Following are highlights of programmatic and budgetary proposals included in the Adopted Budget as they relate to the 2015-16 County Goals as adopted by the Board of Supervisors on April 7, 2015.

### **Implement the Countywide Vision**

- The County Administrative Office is facilitating the year-long Vision2Read initiative, which seeks to raise the bar for literacy in our community by connecting the public – whether they need help or can offer their help – to existing literacy programs provided by the County, cities, towns, school districts and community organizations. Vision2Read is an opportunity for all sectors and members of the San Bernardino County community to engage and take action to support the success of every child



from cradle to career, which is one of the first regional implementation goals of the Countywide Vision Project. Literacy has a direct impact on the elements of a complete, sustainable community, especially jobs and the economy, education, public safety and wellness.

- During 2014-15, Public Health's Community Vital Signs Initiative continued to advance initiatives as part of the Countywide Vision Wellness Element. Focus in 2015-16 will be on implementing the Community Transformation Plan (which addresses Education, Economy, Access to Health and Wellness, and Safety) and developing a Vital Signs' business intelligence data platform. The development of this innovative platform using Geographic Information System mapping will help partners and residents quickly identify trends, locate resources, evaluate effectiveness of community transformation strategies, identify where improvement efforts are most needed, and leverage and align partner resources for sustainability.
- Preschool Services Department is anticipating an increase in Federal funding sources that will be used to provide services under the Early Head Start Child Care Partnership grant. In addition, the department's staffing levels will increase by nine new contract positions primarily to staff additional classrooms at the Fontana Citrus Head Start school site and to ensure the Federally-mandated student/teacher ratio is maintained.

### **Create, Maintain, and Grow Jobs and Economic Value in the County**

- The 2015-16 Architecture and Engineering capital budget includes 255 active projects with total requirements of \$200.2 million, including \$72.9 million in new projects funded primarily with \$60.5 million of Discretionary General Funding (Net County Cost). The \$60.5 million of general funding includes an ongoing base budget of \$12.0 million for maintenance and non-major Capital Improvement Program (CIP) projects, and \$48.5 million for construction and major CIP projects. These major projects include \$26.4 million for the 800 Megahertz Upgrade Project, \$11.2 million for the County Buildings Acquisition and Retrofit Project, \$6.0 million for various Sheriff facility improvements, and \$4.9 million for various other projects.
- The Workforce Development Department (WDD) budget includes \$3.1 million in Federal funding for the placement of 750 CalWORKs Youth into paid work experience. This will be accomplished through a partnership between WDD and the Transitional Assistance Department (TAD).
- Regional Parks continues to expand amenities at Calico Ghost Town Regional Park by utilizing Off-Highway Vehicle funding to provide additional campground hook-ups and cabins. These improvements are expected to generate additional revenue for the department and the concession operators, as well as encourage new tourism.

### **Improve County Government Operations**

- A team consisting of the Auditor-Controller/Treasurer/Tax Collector, County Administrative Office, Finance and Administration, Human Resources, and Information Services Department are evaluating proposals for the County's Enterprise Financial Management System and a vendor will be selected through a competitive procurement. Implementation will begin in 2015-16. The new financial system will streamline business processes and provide better management information.
- A total of \$16.0 million has been set-aside in reserves for two significant County Fire projects. The Fire Consolidated Headquarters project (\$13.5 million) will provide for a more efficient use of



existing resources through the consolidation of various County Fire functions/services at one location. The Fire Training Center (\$2.5 million) will enable County Fire to expand its current training capabilities. Both of these projects will eliminate County Fire's need for leased facilities.

- Finance and Administration will continue to implement strategies to improve efficiency and effectiveness. In 2015-16, the Department established a Law and Justice – Finance and Administration Division to provide for centralized analysis and oversight of the County's Law and Justice Departments' budget. This was done through a re-organization of existing budgeted positions and the addition of one Discretionary General Funded Finance Analyst. The addition of this division will enable the Department to provide oversight of Law and Justice funding and enable it to research and analyze broader implications of State and Federal Law changes on the County's Law and Justice Departments. The Department will also continue to present accurate and timely budget and financial information to the County Administrative Office and the Board of Supervisors.
- In 2015-16, Public Health will continue its efforts to achieve and maintain National Accreditation, through the Public Health Accreditation Board. Accreditation ensures the Department's continued focus on quality and performance improvement, transparency and accountability to all stakeholders, and the capacity to deliver core Public Health functions. The completion of Public Health's five-year strategic plan (currently in year two) will achieve a major milestone in the accreditation process by providing overarching priorities for departmental alignment, establishing core values to provide a blueprint for working collaboratively with the public, and identifying opportunities for alignment with the Countywide Vision, Community Vital Signs Initiative, and the Community Transformation Plan to improve the overall wellness and quality of life in the County.
- The County Library continues its plans to enhance service by replacing outdated computer hardware and software over the next several years. Funding has been included in the 2015-16 budget for the Library's material budget and adding high demand items to the collection, including an expanded digital book collection.
- Land Use Services is beginning pre-implementation work to upgrade its outdated permitting system to a new enterprise solution, Accela Automation. The new solution will include a shared database, linking together other County departments, precise digital maps and satellite images of land data that are linked to the County's GIS database, and the Accela Mobile Office platform which provides field staff remote real-time access to the database. This solution will streamline the permitting process, offering the public access to a web portal, Accela Citizen Access, to manage and monitor applications and permits online.

### **Operate in a Fiscally Responsible and Business-like Manner**

- The Regional Parks Department continues to reduce its reliance on County General Fund support. The \$1.4 million decrease in Discretionary General Funding for 2015-16 is due to cost savings resulting from the following:
  - A renegotiated contract with the Inland Empire Utilities Agency for water and sewer service at Prado Regional Park.
  - A partnership agreement with the operators of Lake Gregory Regional Park.
  - A decrease in the number of days per week (from 7 to 5) open to the public at Mojave Narrows Regional Park.



- The Auditor-Controller/Treasurer/Tax Collector budget includes funding for two Accountant II's in Internal Audits to perform mandated audits, and an Accountant III in Management Services to prepare Indirect Cost Rate Proposals for County departments.
- The County Museum's 2015-16 budget of \$3.3 million demonstrates the County's commitment to support the Museum through a time of transition. Net County Cost includes \$588,097 of one-time bridge funding to support current operations and \$95,000 of ongoing funding for the addition of one Biology Curator position to oversee and preserve the Museum's Biology collections. The County Museum continues to implement the consultant study recommendations as approved by the Board of Supervisors to address organizational and financial challenges.
- The Transitional Assistance Department will begin the first of a four year reduction to the State's CalFresh Match Waiver in 2015-16 pursuant to the phase-out agreement adopted in the current year budget. This waiver allowed the County to draw additional Federal and half of the State funding without increasing the County's Maintenance of Effort. The adopted budget includes \$1.28 million of the \$5.0 million set-aside that the Board approved in the current year budget for this phase-out period.

#### **Ensure Development of a Well-Planned, Balanced, and Sustainable County**

- The County Administrative Office and Land Use Services Department have initiated a complete overhaul of the County's General Plan, referred to as the Countywide Plan. This Countywide Plan will be a comprehensive web-based system to document land use planning and organizational governance policies. The Countywide Plan will be comprised of three basic components: The Policy Plan (comprehensive general plan); the County Business Plan (system that defines and guides how the County government operates and manages itself); and the Regional Issues Forum (web-based resource center where information regarding shared Countywide issues exists).
- A team of County Departments will continue to monitor the drought and develop ways to reduce water usage at County facilities to show good stewardship of this valuable resource. The Special Districts Department, in collaboration with other County Departments, will continue to implement water conservation programs/strategies at various County Service Areas and Districts throughout the County.
- The Special Districts Department's 2015-16 budget includes \$33.4 million of capital improvement projects. Capital improvement projects programmed in the department's construction funds include the design and construction for the relocation of the Big Bear Alpine Zoo, design and construction of Snow Drop Road and other road paving projects. These projects also include \$19.8 million budgeted in the Special Districts Department Water and Sanitation Divisions. These projects will continue the Department's commitment to improvements in water and sanitation infrastructure. Programmed projects include installation of radio read meters, construction of a new water well in CSA 64 Spring Valley, and design and construction of a pipeline, a 75,000 gallon water reservoir and a pump station in CSA 70 W-4.
- Community Development & Housing is completing Phase 1 of the Bloomington Community and Neighborhood Revitalization along Valley Boulevard. A total of 106 mixed generational units, and the Bloomington Branch Library, is currently under construction and will be completed in 2016. The Department is securing the remaining necessary financial resources in the form of redevelopment bonds and private funding sources for Phase 2. If successful, construction will commence in 2016



on Phase 2, consisting of an additional 84 units of multi-family affordable housing for a project total of 190 units.

**Provide for the Safety, Health and Social Service Needs of County Residents**

- During 2014-15, the Sheriff's Department expanded unincorporated patrol operations by proceeding with the hiring of 10 budgeted Deputy Sheriff positions. These positions historically have been kept vacant to fund annual employee separation costs. The Discretionary General Funding portion of these costs are now paid for as part of the County's Earned Leave program.
- The County jail system was originally structured to provide short-term housing for pre-sentenced and sentenced inmates. The 2011 Public Safety Realignment of State inmates with longer term sentences to County jail has required the Sheriff's Department to provide detention related services that were previously not necessary. To address this issue, the Department's budget includes \$8.3 million in additional Public Safety Realignment (AB 109) funding to augment both medical and behavioral health services at the jails; to provide additional span of control at West Valley Detention Center; and to provide for infrastructure maintenance at the expanded High Desert Detention Center.
- An additional \$11.7 million of SB 678 funding has been allocated by the State to the Probation Department for the purpose of reducing criminal recidivism. Probation is using the majority of these funds for the addition of 43 new positions to expand evidence-based services/programs, as well as to acquire previously leased office space in the City of San Bernardino. The remaining funds are being set aside in Probation's special revenue fund reserves.
- The Public Defender will establish a new program that will integrate with other County programs to assign Social Service Practitioners to attend school board attendance hearings with the goal of reducing juvenile truancy and preventing minors from entering the criminal justice system as adults.
- County Fire will receive an additional \$2.1 million of ongoing General Fund support for the following purposes to assist the department with achieving its mission of providing services for the health and well-being of County citizens:
  - \$749,500 to contract with the Kern County Fire Department for fire protection services to the underserved area of northwest San Bernardino County.
  - \$537,336 for annual fixed asset (excluding vehicles) replacement costs.
  - \$531,712 for costs related to the conversion of 12 limited-term positions (6 Engineers and 6 Firefighters) to regular positions.
  - \$300,000 to the Office of Emergency Services for non-grant funded costs such as supervision of the volunteer program and the WebEOC.
- Land Use Services Code Enforcement is piloting strategic initiatives to stop Illegal Dumping, a fast growing problem with potentially significant environmental consequences. Increased enforcement activity will result in a greater number of citations issued to those who are caught dumping illegally, resulting in the public's increased awareness of the penalties for this activity. The division will also increase community outreach efforts, public education, and utilize other creative means to identify and stop the sources of illegal dumping.
- Through various partnerships, the Inland Counties Emergency Medical Agency is making significant progress toward the integration of Emergency Medical Services into a Health Information Exchange



and, for the first time in 2014-15 data was submitted to the National database. The data is being utilized at the local, State, and Federal levels to help determine best practices, resulting in improved patient care and outcomes.

- The Information Services Department Telecommunication Services division is in the process of upgrading the County's Regional Public Safety Radio System (800 Mhz Upgrade Project). The project is currently on schedule, with an estimated completion date of 2020-21. The estimated cost of the project is \$158.2 million. Discretionary General Funding in the amount \$84.0 million has been allocated to the project to date and an additional \$26.4 million is funded in 2015-16. County Fire will be contributing \$8.5 million of this amount. Approximately \$61.4 million has been expended to date. The County has received and deployed radio equipment from Motorola at various sites. The primary focus of this project for 2015-16 will be to receive and install microwave equipment to complete the upgrade of the microwave system.
- The Department of Aging and Adult Services (DAAS) received approximately \$390,000 in Federal funds to supplement Elderly Nutrition, Supportive Services, Medicare Improvements for Patients and Providers Act, and Family Caregiver programs in 2014-15. Services to seniors are expected to return to previously-budgeted levels in 2015-16. The adopted DAAS budget includes increasing staff by one contract Ombudsman Field Coordinator to oversee and monitor seniors at nursing homes to ensure proper care is being provided.
- The Department of Behavioral Health budget includes \$2.9 million of Mental Health Service Act Capital funds and \$7.0 million of California Health Facilities Financing Authority grant funding to purchase land and build crisis residential treatment facilities in the central valley and high desert regions. By collaborating with local law enforcement, hospitals and community based providers, the care facilities will be used to provide crisis residential services in the least restrictive manner possible to individuals throughout the county experiencing a mental health crisis.
- The Arrowhead Regional Medical Center (ARMC) budget includes the addition of 10 Registered Nurse Case Manager positions to continue strengthening Ambulatory Services and align the three Family Health Care Clinics' operations to have a greater emphasis on population health management, which provides specialized levels of care that focus on the most acutely ill ambulatory patients.
- The Public Guardian is responsible to act as conservator for individuals found by the court to be gravely disabled or who lack the capacity to manage personal affairs. In 2015-16, the department added two Deputy Public Guardians to accommodate new functions and maintain ongoing caseload. The net increase in estate fees allowed the Public Guardian to finance the positions and overcome the reduction to AB109 and Medi-Cal Administrative Activities (MAA) funding.
- On November 4, 2014 California voters approved Proposition 47, which reclassified certain nonviolent drug and property crimes from felonies to misdemeanors. As the law applies to both existing and future criminal offenders, County Law and Justice Departments and the Court immediately started the process of resentencing affected offenders in the criminal justice system. Notable departmental impacts associated with this change are as follows:
  - A total of \$1.3 million in additional one-time Discretionary General Funding was allocated in the 2015-16 adopted budget to the District Attorney, Public Defender, and County Indigent Defense budgets to assist with the large caseload associated with the process of resentencing offenders.



- The Sheriff's Department has shifted some resources from street-level narcotics and focused efforts on proactive, targeted gang enforcement and violent crime suppression operations as a result of Proposition 47's lowering of the criminal penalty for certain drug offenses.

### **Pursue County Goals and Objectives by Working with Other Agencies**

- The current Medicaid Waiver will end October 31, 2015. ARMC will work collaboratively with the California Association of Public Hospitals, the State, and the Federal Centers for Medicare & Medicaid Services (CMS) in the development of the next Medicaid Waiver in order to maximize future revenues. There will be stringent clinical performance measures linked to the funding within the next Waiver, which will begin November 1, 2015 if the State Department of Health Care Services' proposal is approved by the CMS. The 2015-16 adopted budget includes \$51.0 million in funding related to the continuance of the Medicaid Waiver.

### **CHALLENGES IN FISCAL YEAR 2015-16 AND BEYOND**

Costs continue to rise more rapidly than revenue, creating a challenge to provide adequate levels of service. In addition, the fiscal uncertainty inherent in the State budget process continues to present a major challenge to the County's fiscal planning efforts.

#### **State Budget**

On June 24, 2015, Governor Brown signed the \$167.6 billion 2015-16 State Budget into law. The budget advances a multiyear plan that is balanced, pays down budgetary debt from past years and saves for a rainy day. This includes a \$3.5 billion Rainy Day reserve and an additional \$1.1 billion set aside for economic uncertainty. Notable County impacts from the State's 2015-16 budget are as follows:

- The County anticipates receiving \$38.8 million associated with mandated health and human services program restorations, operations and administration. Under the Affordable Care Act, the State is redirecting 1991 Health Realignment funding for indigent care as healthcare coverage increases, which will result in a \$28.9 million loss to the County. The County also anticipates an increase of \$1.6 million in Health and Human Services costs.
- The State Budget includes projected increases in Public Safety Realignment funding for all counties in 2015-16, based on a projected increase in the funding level available in 2014-15 of \$135.4 million. Based on the State's allocation methodology, this would result in an increase of \$12.7 million in ongoing (Base) funding and an additional \$9.5 million in one-time funding available to the County in 2015-16. Due to the volatile nature of sales tax (which is the funding source for Public Safety Realignment), the County has taken a conservative approach in adding programs with these additional funds by increasing ongoing funding by \$10.7 million and not yet allocating any projected one-time funds (which may be used to establish reserves).
- The budget includes a 23.3% reduction in transportation funding from \$1.89 billion to \$1.45 billion, which equates to a \$6.0 million revenue reduction to the County. Additionally, the State Board of Equalization changed the excise tax estimate, which will result in a further reduction of \$4.0 million. This results in a \$10.0 million reduction in 2015-16.



### **Sales Tax Volatility**

Historically counties have been funded by relatively stable property taxes. The realignment of many state services has made counties increasingly dependent on sales tax revenue. As a result, the portion of requirements funded primarily with sales tax now represents 16.3% of the County budget and includes 1991 and 2011 Realignment revenues (\$670.9 million), County sales tax (\$21.6 million) and Proposition 172 Half Cent Sales taxes (\$164.8 million). While sales taxes are projected to experience a modest increase in 2015-16, they tend to be much more volatile and quicker to react to changes in the economy, resulting in a higher risk of funding losses in future years.

### **Retirement Costs**

Retirement costs in 2015-16 are increasing primarily as a result of a change in actuarial assumptions, that reduced the expected rate of return from 7.75% to 7.5% and adjusted mortality tables to reflect longer lifespans. In addition, the County continues to see elevated retirement costs as a result of the continuing amortization of investment losses in 2008-09. The County can expect to see increasing retirement cost volatility as the amount of assets held by the pension plan grow faster than the County budget. The County Administrative Office and the Retirement Association have an active dialog about monitoring, measuring, and mitigating the growing volatility risk. The County has been able to achieve some cost savings through the labor negotiation process as well as through the continued implementation of statewide pension reform.

### **CONCLUSION**

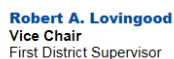
The County fiscal plan developed by the County Administrative Office outlines anticipated cost and revenue increases for the next five years so that the Board can focus on restoring service levels impacted by the great recession. The 2015-16 Adopted Budget focuses on major policy issues and key projects that require additional funding. The County is committed to making the most of its funding to provide necessary public services in an effective and efficient manner and fulfilling its role in the achievement of the Countywide Vision.



**GREGORY C. DEVEREAUX**  
Chief Executive Officer



## San Bernardino County Supervisorial Districts



**Janice Rutherford**  
Second District Supervisor

**James Ramos**  
Chair  
Third District Supervisor

**Curt Hagman**  
Fourth District Supervisor

**Josie Gonzales**  
Fifth District Supervisor

(909) 387.4565 Website

## COUNTY OF SAN BERNARDINO COUNTYWIDE FACTS AND FIGURES

**SIZE:**

20,160 square miles (largest county in the contiguous United States by area)

**ELEVATION:**

Highest Elevation, Mt. San Geronio, 11,502 ft.

**STRUCTURE:** Formed by charter in 1853; five districts based on population. Members serve four-year terms.

**INCORPORATED CITIES:**

24

**POPULATION BY CITY**

INCORPORATED CITY	TOTAL 1/1/2015 ESTIMATED POPULATION
Adelanto	33,084
Apple Valley	71,396
Barstow	23,407
Big Bear Lake	5,165
Chino	84,465
Chino Hills	77,596
Colton	53,384
Fontana	204,312
Grand Terrace	12,352
Hesperia	92,177
Highland	54,332
Loma Linda	23,751
Montclair	38,458
Needles	4,940
Ontario	168,777
Rancho Cucamonga	174,064
Redlands	70,398
Rialto	102,092
San Bernardino	213,933
Twentynine Palms	26,846
Upland	75,787
Victorville	121,168
Yucaipa	52,942
Yucca Valley	21,355
<b>Total Incorporated</b>	<b>1,805,181</b>
<b>Total Unincorporated</b>	<b>299,110</b>
<b>Total County of San Bernardino</b>	<b>2,104,291</b>

Source: State of California, Department of Finance, E-1: Population Estimate with Annual Percentage Change-January 1, 2014 and 2015. Sacramento, California, May 2015.

**REGIONAL PARKLAND:** 9,200 acres

**COUNTY LIBRARY:** 32 Branches

**MAJOR COUNTY EMPLOYERS:**

Employer	Employees
County of San Bernardino	Over 5,000
Loma Linda University & Hospital*	Over 5,000
Stater Bros.*	Over 5,000
Walmart*	Over 5,000
Target*	3,000-5,000

\*Source: EDD Quarterly Census of Employment and Wages (QCEW) as of 3rd Quarter 2013.

**MAJOR COUNTY TAXPAYERS (Secured Taxpayers-2014-15 Property Tax Rolls\*)**

Name	Assessed Value	% of roll
Southern California Edison	\$3,454,027,760	2.00%
Rare Earth Acquisitions	\$1,010,696,903	0.58%
Prologis	\$899,526,740	0.52%
Majestic Realty Co	\$529,005,587	0.30%
Verizon California	\$516,275,817	0.30%
California Steel Industries Inc.	\$482,500,000	0.28%
Target Corporation	\$452,696,223	0.26%
Catellus	\$429,816,430	0.25%
Wal-Mart	\$418,252,495	0.24%
Teachers Insurance & Annuity	\$388,000,199	0.22%

\*Includes Secured and Unitary Roll

Source: County of San Bernardino, Assessor and Auditor-Controller/Treasurer-Tax Collector, Controller Division Property Tax Section

**EMPLOYMENT MIX (2014):**

Services:	
Trade, Transportation, and Utilities	175,435
Information	4,819
Financial Activities	22,517
Professional and Business Services	78,735
Education and Health Services	100,064
Leisure and Hospitality	63,736
Other Services	18,227
Unclassified	1,876
Construction	29,405
Manufacturing	49,677
Natural Resources & Mining	3,187
Government	111,440

Source: California Employment Development Department, SBCO, Quarterly Census of Employment and Wages (QCEW) 2014 Annual Averages

**UNEMPLOYMENT(July 2015): 6.9%**

Source: California Employment Development Department, Labor Market Information, Monthly Labor Force Data for Counties.

**PEOPLE BELOW POVERTY LEVEL (2013 estimate): 18.7%**

Source: U.S. Census Bureau, 2009-2013 SBCO, American Community Survey 5-Year Estimates, Past 12 months below poverty level-All people.



## COUNTY OF SAN BERNARDINO COUNTYWIDE FACTS AND FIGURES

### **MEDIAN HOME PRICE: EXISTING SINGLE FAMILY HOMES (July 2015):** \$267,000

Source: Corelogic/Dataquick, 2015.

### **ASSESSED VALUATIONS\* (2014-15):** \$184,243,402,188

\*Includes Secured, Unitary, and Unsecured Valuations.

Source: County of San Bernardino, Auditor-Controller/Treasurer/Tax Collector, Property Tax Section.

### **MEDIAN FAMILY INCOME (2013 estimate):** \$54,090

Source: U.S. Census Bureau, 2009-2013 SBCO, American Community Survey 5-Year Estimates, Families, Median family income (dollars).

### **PER CAPITA PERSONAL INCOME (2013):** \$32,747

Source: U.S. Department of Commerce, Bureau of Economic Analysis

### **TAXABLE SALES (2013):** \$31,177,823 (in thousands)

Source: California State Board of Equalization, Taxable Sales in California, Calendar Year, By County.

### **UNIVERSITIES/COMMUNITY COLLEGES**

(Ranked by # of students):

#### **Four Year Universities (Fall 2014)**

1. California State University San Bernardino (18,952)
2. University of Redlands (5,333)
3. Loma Linda University (4,600)

#### **Community Colleges (Fall 2013)**

1. Chaffey College (19,557)
2. San Bernardino Valley College (12,965)
3. Victor Valley Community College (11,557)
4. Crafton Hills College (5,932)
5. Barstow Community College (1,859)
6. Copper Mountain Community College (1,652)

Source: California Community Colleges Chancellor's Office, Datamart/queries, students/headcounts, enrollment status for Community Colleges and the National Center for Education Statistics, school search, college navigator for Universities

### **EDUCATIONAL ATTAINMENT (2013 estimate of county population age 25 years and over):**

	<b><u>Percent</u></b>
Less than 9th grade	10.0%
9th to 12th grade, no diploma	11.7%
High school graduate (includes equivalency)	26.1%
Some college, no degree	25.3%
Associate's degree	8.1%
Bachelor's degree	12.2%
Graduate or professional degree	6.5%

Source: U.S. Census Bureau, 2009-2013 American Community Survey

### **DEATH RATE (2013 estimate):** 606.0 (per 100,000 population)

Source: California Public Health, Center for Health Statistics, County Health Status Profiles 2015.

### **TOURIST ATTRACTIONS:**

1. Auto Club Speedway
2. Big Bear Lake Resort
3. Calico Ghost Town\*
4. Colorado River
5. Joshua Tree National Park
6. Lake Arrowhead Resort
7. Ontario Mills
8. Victoria Gardens
9. Citizens Business Bank Arena
10. San Manuel Amphitheater at Glen Helen\*

\*County-Owned

### **AIRPORTS:**

1. Apple Valley Airport
2. Baker Airport
3. Barstow-Daggett Airport
4. Cable Airport
5. Chino Airport
6. Hesperia Airport
7. Needles Airport
8. Ontario International Airport
9. San Bernardino International Airport
10. Southern California Logistics Airport
11. Twenty-nine Palms Airport

### **TOP 6 HOSPITALS:**

(Ranked by # of beds)

1. Loma Linda University Medical Center, Loma Linda (854 beds)
2. Arrowhead Regional Medical Center, Colton (456 beds)
3. Kaiser Foundation Hospital, Fontana (390 beds)
4. Community Hospital of San Bernardino, San Bernardino (347 beds)
5. Saint Bernardine Medical Center, San Bernardino (322 beds)
6. San Antonio Community Hospital, Upland (279 beds)

Source: American Hospital Directory, Hospital Search, May 2015.

### **RACE/ETHNICITY (2020 Projection):**

Hispanic	50.5%
White	32.4%
Black	8.8%
Asian	5.3%
American Indian	0.4%
Pacific Islander	0.3%
Multi-Race	2.3%

Source: State of California, Department of Finance, Demographic Research Unit, P-1 Population Projections by Race/Ethnicity, 2010-2060. Percentages are rounded.

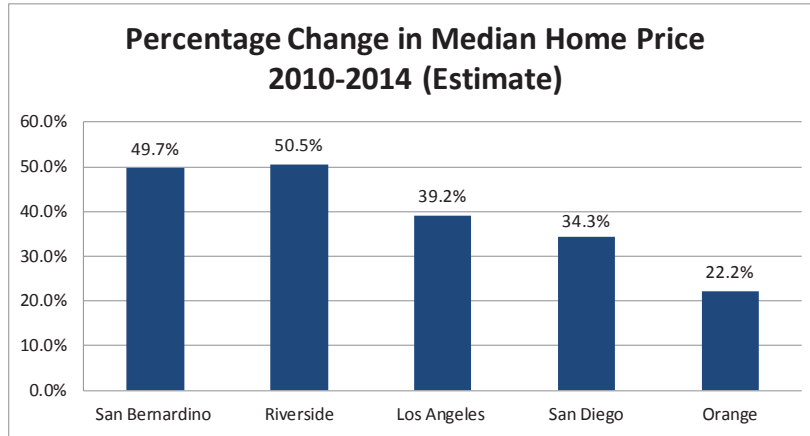
### **MEDIAN AGE (2013):** 31.9

Source: U.S. Census Bureau, San Bernardino County, California: 2009-13 American Community Survey 5 Year Estimates.

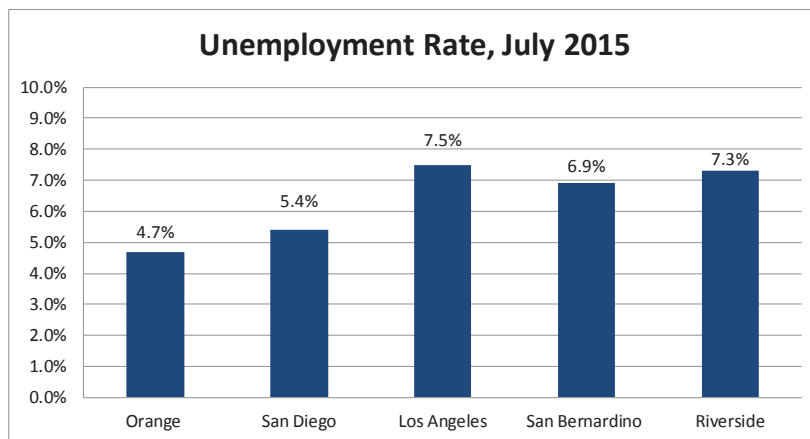


## COUNTY OF SAN BERNARDINO COUNTYWIDE FACTS AND FIGURES

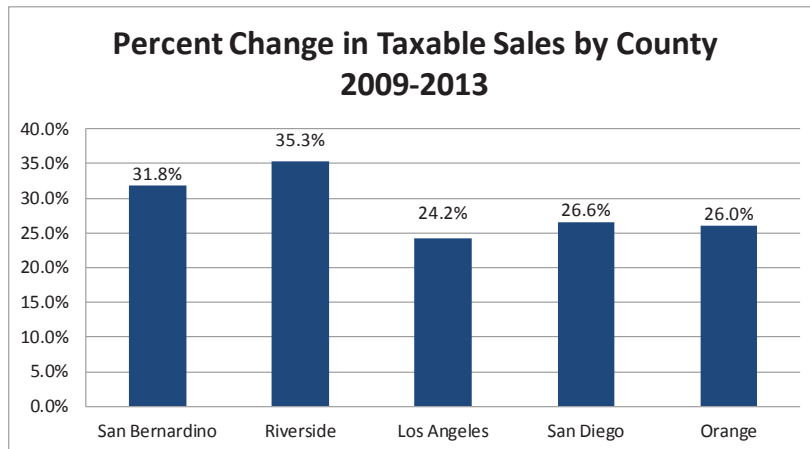
### THE COUNTY OF SAN BERNARDINO COMPARISON TO OTHER COUNTIES



Source: California Association of Realtors, Business Tools.



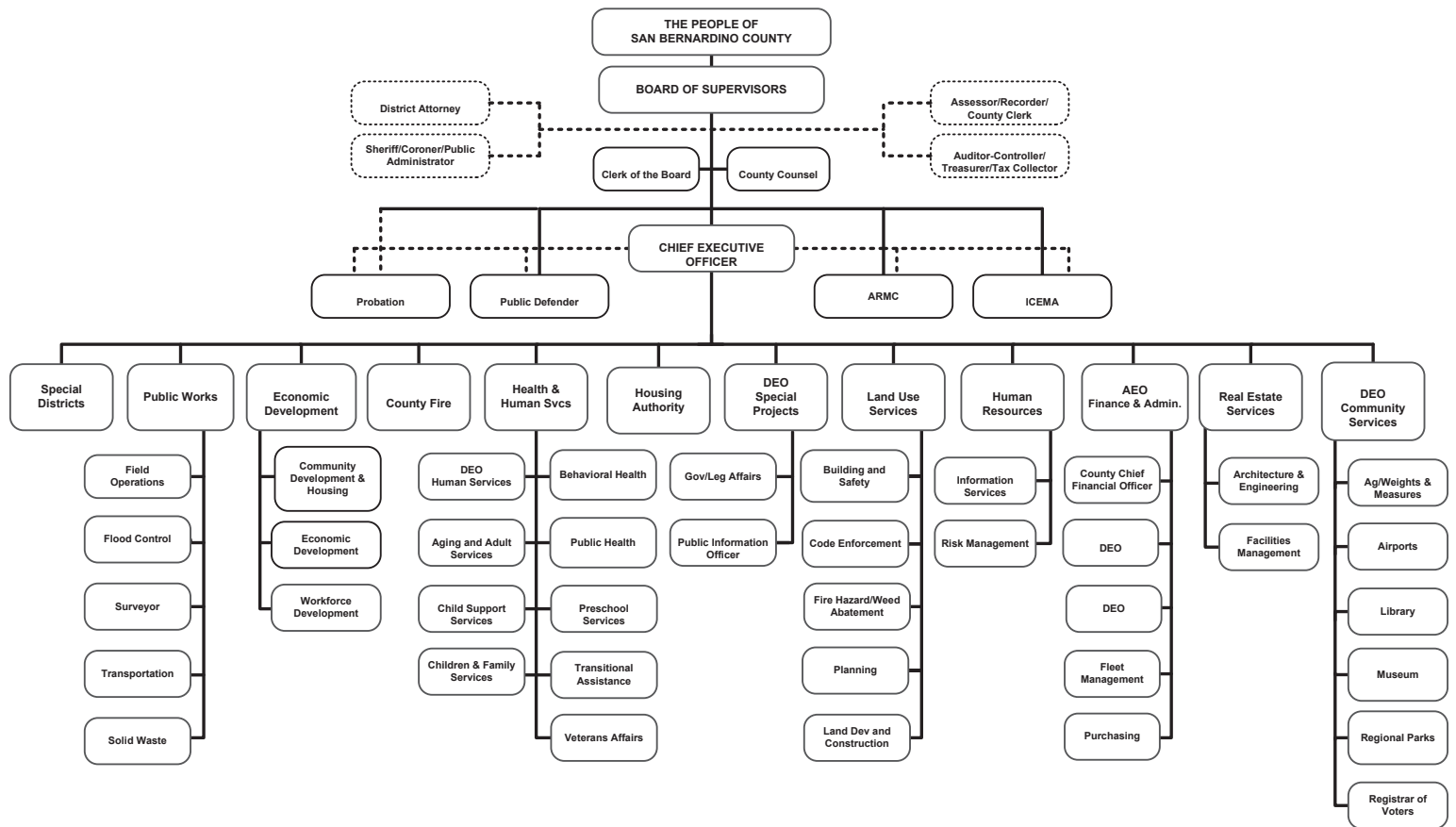
Source: California Employment Development Department, Labor Market Information.



Source: California State Board of Equalization, Taxable Sales in California, Calendar Year, By County.



## SAN BERNARDINO COUNTY ORGANIZATIONAL CHART



## **COUNTY OF SAN BERNARDINO**

The County of San Bernardino's 2015-16 Adopted Budget covers the period from July 1, 2015 – June 30, 2016. The 2015-16 Adopted Budget represents a consolidation of all County entities which includes \$5.2 billion in budgeted requirements and sources as well as 21,755 in budgeted staffing. The budget consists of several funds including the general fund, restricted funds, capital project funds, special revenue funds, internal service funds, enterprise funds and permanent funds. Each department is responsible for operating within their budget and has the authority to spend up to the approved budget.

When developing their individual budgets, each department considers the Countywide Vision and goals and objectives of the County of San Bernardino approved by the Board of Supervisors (Board):

### **Countywide Vision**

In 2010, the Board set out to establish a Countywide Vision for the future of the county as a whole, seeking input from the community through an online survey, town hall meetings and more than two dozen industry-specific focus groups. The County partnered with the San Bernardino Associated Governments (SANBAG) representing the county's 24 cities and towns on this effort that culminated in development of the Countywide Vision Statement and report, which were endorsed and adopted by the Board on June 30, 2011.

*We envision a complete county that capitalizes on the diversity of its people, its geography, and its economy to create a broad range of choices for its residents in how they live, work, and play.*

*We envision a vibrant economy with a skilled workforce that attracts employers who seize the opportunities presented by the county's unique advantages and provide the jobs that create countywide prosperity.*

*We envision a sustainable system of high-quality education, community health, public safety, housing, retail, recreation, arts and culture, and infrastructure, in which development complements our natural resources and environment.*

*We envision a model community which is governed in an open and ethical manner, where great ideas are replicated and brought to scale, and all sectors work collaboratively to reach shared goals.*

*From our valleys, across our mountains, and into our deserts, we envision a county that is a destination for visitors and a home for anyone seeking a sense of community and the best life has to offer.*

The Countywide Vision report and related documents are available for review at [www.sbcounty.gov/vision](http://www.sbcounty.gov/vision).

### **County Paradigm and Job Statement**

Following the adoption of the Countywide Vision, the Board adopted the County paradigm and job statements on April 10, 2012. These statements describe County government's role in achievement of the Vision.

**Our Paradigm:** The County of San Bernardino is a regional government. We understand that every aspect of the quality of life in a community is part of an interrelated system. The County takes responsibility for ensuring that the community has determined how, when and by whom each element of that system is being addressed in pursuit of our shared Vision of the county and the future we desire.

**Our Job:** Our job is to create a county in which those who reside and invest can prosper and achieve well-being.

### **2015-16 County Goals and Objectives**

The Board has annually established goals for the County since 2010. These goals seek to improve County government by providing a unified focus for all departments, clarifying roles and responsibilities, ensuring



alignment and proper allocation of fiscal and human resources, and fostering collaboration with other governmental agencies.

The Board approved the following 2015-16 County Goals and Objectives on April 7, 2015.

### **Implement the Countywide Vision**

- *Continue the County role of convening conversations on community collaboration and collective action.*
- *Continue to promote the Countywide Vision and support the Element Groups.*

### **Create, Maintain, and Grow Jobs and Economic Value in the County**

- *Focus on training and employment for the unemployed and underemployed, developing a more highly-educated and trained workforce.*
- *Continue business retention and expansion programs while implementing office and industrial attraction strategies for companies providing high-paying jobs.*
- *Provide stable governmental leadership, consistent decision-making and efficient processing to inspire confidence in investors and ensure a business-friendly environment.*
- *Compete globally, regionally and locally for businesses and investment.*
- *Utilize County programs and resources to support the local economy, maximize job creation and promote tourism.*

### **Improve County Government Operations**

- *Maintain clear lines of authority and clarity in terms of roles, responsibilities and governance of all County departments and programs.*
- *Develop an approach to evaluate the performance of department heads who report to the Board.*
- *Continue to develop and maintain consistent messaging for the organization.*
- *Ensure that employees know that they and their work are valued.*
- *Monitor and evaluate operations and implement strategies to continually improve efficiency, effectiveness, and collaboration.*

### **Operate in a Fiscally-Responsible and Business-Like Manner**

- *Develop a long-term budget plan which brings County operations into both fiscal and programmatic balance, including full funding of reserves for infrastructure and operating system maintenance and replacement.*
- *Invest County resources in ways which create more ongoing revenue to reinvest in maintaining and improving services.*
- *Eliminate silos and consolidate and centralize administrative functions, including financial management and oversight.*
- *Implement information management best-practices that will fully utilize available technology, unify platforms and move toward a standardized enterprise approach.*

### **Ensure Development of a Well-Planned, Balanced, and Sustainable County**

- *Ensure that the County's approach to development recognizes the diverse character of County unincorporated areas.*
- *Work collaboratively with cities on zoning and development standards in their spheres of influence.*
- *Prioritize investments in services and amenities for County unincorporated communities.*

### **Provide for the Safety, Health, and Social Service Needs of County Residents**

- *Partner with County and non-County agencies and maximize the use of Federal and State programs and funding to address the public health, safety and social service needs of County residents and move participants to self-sufficiency.*
- *Support efforts to improve the capacity of non-profit organizations to help address the needs of County residents.*



### **Pursue County Goals and Objectives by Working with Other Agencies**

- *Work with Federal, State and regional governments and organizations, to ensure San Bernardino County receives its fair share of resources.*
- *Collaborate with other agencies to help shape legislation and regulations which affect the County.*
- *Maintain close working relationships with cities, tribes and other governmental agencies.*

### Performance Measurements

As part of the continuing effort to align resources with operational priorities, each department was asked to review existing performance measurements to ensure alignment with the 2015-16 County Goals and Objectives. These measurements should be realistic, easily quantifiable, and reflect progress on long-term multi-year strategic initiatives or the accomplishment of shorter-term tactical goals, that directly correlate to the identified County objectives and reflect activities within the department's control. Performance measurement progress continues to be reported as part of each quarterly budget report.

The 2015-16 Adopted Budget book includes prior year accomplishments, departmental strategies to achieve County Goals and Objectives and departmental performance measures to demonstrate if departments are meeting the County Goals and Objectives. The following chart provides a sample of specific department performance measures for 2015-16:



## SYNOPSIS OF SAN BERNARDINO COUNTY GOALS, OBJECTIVES, AND PERFORMANCE MEASURES

DEPARTMENT	OBJECTIVE	PERFORMANCE MEASURE
<b>IMPLEMENT THE COUNTYWIDE VISION</b>		
County Administrative Office	Continue the County role of convening conversations on community collaboration and collective action.	Coordinate launch of a literacy initiative in support of the Vision's Cradle to Career Regional Implementation Goal (Target: 100%).
Community Development and Housing	Continue the County role of convening conversations on community collaboration and collective action.	Activities, events and programs completed by the Affordable Housing Collaborative (2014-15 Target: 6).
Public Health	Continue to promote the Countywide Vision and support the Element Groups.	Complete the 2015-16 Work Plan for addressing priorities of the Wellness Element Group of the Countywide Vision (Target: 100%).
<b>CREATE, MAINTAIN, AND GROW JOBS AND ECONOMIC VALUE IN THE COUNTY</b>		
Clerk of the Board	Provide stable government leadership, consistent decision-making and efficient processing to inspire confidence in investors and ensure a business-friendly environment.	Turnaround time for processing new business licenses (Target: 10 days).
Purchasing	Provide stable government leadership, consistent decision-making and efficient processing to inspire confidence in investors and ensure a business-friendly environment.	Average vendor satisfaction on 100% scale (Target: 87%).
Economic Development	Continue business retention and expansion programs while implementing office and industrial attraction strategies for companies providing high-paying jobs.	Number of jobs resulting from County Economic Development attraction and expansion efforts (Target: 1,650).
Workforce Development	Focus on training and employment for the unemployed and under-employed, developing a more highly-educated and trained workforce.	Customers receiving training services (Target: 1,600).
Airports	Continue business retention and expansion programs while implementing office and industrial attraction strategies for companies providing high-paying jobs.	Number of businesses operating on airport properties (commercial leases) (Target: 88).
Regional Parks	Utilize County programs and resources to support the local economy, maximize job creation and promote tourism.	Percentage of seasonal part-time employees under the age of 21 (Target: 59%).
<b>IMPROVE COUNTY GOVERNMENT OPERATIONS</b>		
Fleet Management	Monitor and evaluate operations and implement strategies to continually improve efficiency, effectiveness, and collaboration.	Current level of uptime (vehicle availability) of light-duty vehicles serviced at Fleet facilities (Target: 95%).
Arrowhead Regional Medical Center	Monitor and evaluate operations and implement strategies to continually improve efficiency, effectiveness, and collaboration.	Percentage of survey respondents who would "definitely" recommend the hospital (Target: 72%).
Land Use Services	Monitor and evaluate operations and implement strategies to continually improve efficiency, effectiveness, and collaboration.	Complete initial review of planning permit applications within 3 weeks of acceptance (Target: 70%).
Public Works	Monitor and evaluate operations and implement strategies to continually improve efficiency, effectiveness, and collaboration.	Percentage of flood control basins cleaned out to full capacity before rainy season (Target: 99%).
<b>OPERATE IN A FISCALLY-RESPONSIBLE AND BUSINESS-LIKE MANNER</b>		
Information Services Department	Implement information management best-practices that will fully utilize available technology, unify platforms and move toward a standardized enterprise approach.	Percentage of current year's task for the 800 MHz system upgrade completed (Target: 100%).
Risk Management	Develop a long-term budget plan which brings County operations into both fiscal and programmatic balance, including full funding of reserves for infrastructure and operating system maintenance and replacement.	Cost of risk as a percentage of County budget (Target: <2%).
Assessor-Recorder-County Clerk	Invest County resources in ways which create more ongoing revenue to reinvest in maintaining and improving services.	Percentage of completed Business Property Statements filed by the annual deadline (Target: 99%).
Architecture and Engineering	Invest County resources in ways which create more ongoing revenue to reinvest in maintaining and improving services.	Reduction in electricity usage (kilowatt hours - kWh) (Target: 970,000).
Special Districts	Implement information management best-practices that will fully utilize available technology, unify platforms and move toward a standardized enterprise approach.	Percentage of annual required sewer line inspections and cleanings completed (Target: 100%).
<b>ENSURE DEVELOPMENT OF A WELL-PLANNED, BALANCED, AND SUSTAINABLE COUNTY</b>		
Land Use Services	Ensure that the County's approach to development recognizes the diverse character of County unincorporated areas.	Complete 2015-16 annual work plan for Countywide Plan and Community Plans (Target: 100%).
<b>PROVIDE FOR THE SAFETY, HEALTH AND SOCIAL SERVICE NEEDS OF COUNTY RESIDENTS</b>		
Behavioral Health	Partner with County and non-County agencies and maximize the use of Federal and State programs and funding to address the public health, safety and social service needs of County residents and move participants to self-sufficiency.	Number of Medi-Cal clients served by County behavioral health services (Target: 36,115).
Child Support Services	Partner with County and non-County agencies and maximize the use of Federal and State programs and funding to address the public health, safety and social service needs of County residents and move participants to self-sufficiency.	Amount of child support collected for every dollar expended (Target: \$4.35).
Children and Family Services	Partner with County and non-County agencies and maximize the use of Federal and State programs and funding to address the public health, safety and social service needs of County residents and move participants to self-sufficiency.	Increase of newly licensed foster family homes (Target: 145).
District Attorney	Partner with County and non-County agencies and maximize the use of Federal and State programs and funding to address the public health, safety and social service needs of County residents and move participants to self-sufficiency.	Number of victims served at the Children's Assessment Center (Target: 1,750).
Probation	Partner with County and non-County agencies and maximize the use of Federal and State programs and funding to address the public health, safety and social service needs of County residents and move participants to self-sufficiency.	Percentage of adult supervision cases recidivating (Target: 26%).
Public Defender	Partner with County and non-County agencies and maximize the use of Federal and State programs and funding to address the public health, safety and social service needs of County residents and move participants to self-sufficiency.	Number of Social Service Practitioner referrals for adult cases (Target: 375).
Sheriff/Coroner/Public Administrator	Partner with County and non-County agencies and maximize the use of Federal and State programs and funding to address the public health, safety and social service needs of County residents and move participants to self-sufficiency.	Number of contacts with homeless individuals, which results in an estimated 30% annual referral rate for housing assistance (Target: 665).
County Fire Protection District	Partner with County and non-County agencies and maximize the use of Federal and State programs and funding to address the public health, safety and social service needs of County residents and move participants to self-sufficiency.	Percentage reduction in the number of hospital readmissions to ARMC for Medi-Care patients (Target: 30%).
<b>PURSUE COUNTY GOALS AND OBJECTIVES BY WORKING WITH OTHER AGENCIES</b>		
Auditor-Controller/Treasurer/Tax Collector	Maintain close working relationships with cities, tribes and other governmental agencies.	Percentage of apportionments completed by the third week of the following fiscal year (Target: 100%).
Public Health	Maintain close working relationships with cities, tribes and other governmental agencies.	Number of Rescue Group Partners (Target: 400).
Veterans Affairs	Work with Federal, State and regional governments and organizations, to ensure San Bernardino County receives its fair share of resources.	Percentage of College Fee Waiver letters mailed within 10 days of application (Target: 100%).



## **BUDGET PLANNING CALENDAR**

### **ONGOING**

Policy Direction - The Board of Supervisors provides ongoing policy direction to the Chief Executive Officer.

Significant Budgetary or Programmatic Impacts – Significant budgetary or programmatic changes and potential impacts are immediately communicated to the County Administrative Office and the Board of Supervisors to allow for timely decision-making and policy direction.

Year-End Estimates - Departments provide year-end estimates of revenues and expenditures to Finance and Administration on a monthly basis and any significant changes are addressed timely.

Quarterly Budget Reports - Each quarter the County Administrative Office brings an agenda item to the Board of Supervisors requesting modification to the adopted budget. These quarterly budget adjustments serve as a management tool to help each department assess the current environment, and anticipate and respond appropriately to that environment. In addition, the quarterly budget adjustments provide the Board of Supervisors with the most current information on County department revenues (sources) and appropriation (requirements) with which to base decisions, and serve as a guideline to lead the County in preparing the upcoming budget. As part of each quarterly budget report, departments also report progress on performance measures.

### **OCTOBER THROUGH DECEMBER**

Capital Improvement Plan – Departments submit annual capital improvement requests for improvements to land or structures that exceed \$5,000. These requests include a project description and justification, financial impact, and funding source. The requests are evaluated and prioritized by Finance and Administration and provided to the Chief Executive Officer for comments and recommendations, and presented to the Board of Supervisors for final approval. In addition, departmental five-year capital improvement plans are updated to re-evaluate priorities based on changing circumstances, staffing levels, and available funding.

### **JANUARY AND FEBRUARY**

Fee and Internal Service Rate Development – Departments develop their recommended fee changes and internal service rate adjustments for the upcoming budget year and submit them to Finance and Administration for review and recommendation to the Chief Executive Officer, and to the Board of Supervisors for final approval. Departments are required to compute their full cost of service, capturing both direct and indirect costs associated with fees and internal service rates. Departments are able to recommend an alternate fee amount to the Board of Supervisors, if based on their knowledge, implementation of a full cost fee or internal service rate would not be beneficial.

Five-Year Financial Forecast – Finance and Administration develops a Five-Year Financial Forecast of financial operations for general fund programs, projecting major revenues (sources) and expenditures (requirements), based on current service levels and expected future changes to those programs or service levels. The analysis includes the identification of trends, significant impacts, and recommendations, which are presented to the Chief Executive Officer for recommendation to the Board of Supervisors for final approval.

Budget Prep System – The in-house budget system is updated for changes in the various Memorandums of Understanding between the County and the various employee representation units.

### **MARCH AND APRIL**

Budget Prep System – The system is opened for departmental input in preparation of the budget submittal and internal training is conducted for all users of the system.



County Fiscal Plan – Finance and Administration updates the five-year financial forecast and develops the County fiscal plan for the upcoming fiscal year. This plan includes the allocation of discretionary general funding (net county cost) and provides estimates of any remaining funding or shortfall needed to maintain current services.

Preparation of Recommended Budget – Departments develop their respective recommended budgets and submit them to Finance and Administration for review, and to the Chief Executive Officer for recommendation, and to the Board of Supervisors for final approval. General fund departments must budget within their respective net county cost allocations given to them based on the County fiscal plan. Special Revenue Funds, Internal Service Funds, and Enterprise Funds may budget requirements in excess of current year sources which reflects an operational decision to utilize assets that have been carried over from the prior periods.

## **APRIL THROUGH JUNE**

Internal Service Rates – The rates charged by departments for services provided to other departments are brought before the Board of Supervisors for approval. In addition to rates for internal service funds, rates for services provided by general fund departments, such as Facilities Management, Human Resources, and Architecture and Engineering are also approved.

Fee Workshop – The Board of Supervisors conducts a workshop to receive a presentation on the County's proposed fee schedule. This meeting provides the Board of Supervisors the opportunity to discuss and provide input for development of the County's Recommended Fee Ordinance for the upcoming fiscal year.

Fee Hearing – The Board of Supervisors conducts a public hearing on the Recommended Fee changes for the upcoming fiscal year. Approved fee changes are included in the Recommended Budget submittals to the Board of Supervisors.

Fiscal Overview – The Board of Supervisors conducts a special meeting to receive a presentation from the Chief Executive Officer on the County's current and projected financial condition. The presentation includes the Five Year Financial Forecast, the County Fiscal Plan and a preview of the Recommended Budget programs and issues. This meeting also provides the Board of Supervisors the opportunity to discuss and provide input for development of the County's Recommended Budget.

Submission of Recommended Budget – The Recommended Budget Book is finalized and presented to the Board of Supervisors. The County Administrative Office publishes notices and schedules public hearings to discuss the Recommended Budget.

Budget Hearing and Adoption – The Board of Supervisors conducts a public hearing on the Recommended Budget. At this time, the Board may modify the Recommended Budget. All Board approved changes are incorporated into the Adopted Budget.

## **JULY THROUGH SEPTEMBER**

Budget Prep System – Finance and Administration makes final budget changes to the Budget Prep System for items approved by the Board of Supervisors, including final fund balance adjustments.

Preparation of Adopted Budget Book – Finance and Administration updates the Recommended Budget Book to reflect final changes.

### Calendar for the 2015-16 Budget

December 2, 2014	Fee Instructions to Departments
December 4, 2014	Capital Improvement Call Letter to Departments
February 2, 2015	Departments Submit Capital Improvement Requests



February 6, 2015	Departments Submit Fee Workbooks
March 12, 2015	Budget Prep System Training
March 16, 2015	Budget Prep System opened for Departmental Input
March 27, 2015	Budget Instructions to Departments
April 13, 2015	Departments Submit Budget Workbooks
April 14, 2015	2015-16 Fee Workshop
May 12, 2015	2015-16 Budget Workshop and Fiscal Overview
May 19, 2015	2015-16 Internal Service Rates Approved
May 19, 2015	Fee Hearing
May 29, 2015	Recommended Budget Delivered to the Board of Supervisors
June 16, 2015	Budget Hearing and Adoption of 2015-16 Budget
October 2015	Adopted Budget Book Printed

#### General Fund Budget Process

The County Administrative Office has the responsibility of developing the County fiscal plan for all general fund departments. This plan begins with a Five-Year Financial Forecast which is detailed in the Discretionary General Funding section of the Executive Summary. This forecast highlights what costs are anticipated to be incurred and the revenue projections for the upcoming fiscal year, as well as the next four fiscal years. The County uses this forecast to build their fiscal plan.

The County fiscal plan also focuses on the two restricted funding sources, Proposition 172, 1991 and 2011 Realignment. **Proposition 172** assists in funding the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments. **1991 Realignment** assists in funding the general fund departments of Human Services (well-being services for citizens), Behavioral Health, and Public Health for mental health, social services, and health programs. **2011 Realignment** assists in funding the general fund departments of Human Services, Sheriff/Coroner/Public Administrator, Probation, District Attorney, Public Defender and Behavioral Health for public safety, health and welfare programs.

For some departments, budgets are also built utilizing revenues generated from fees. On April 14 and May 19, 2015 the Board of Supervisors discussed fee changes as well as the fee process and held a fee hearing. The fee hearing is designed to take public testimony related to fee changes for the 2015-16 fiscal year. The majority of approved fees become effective July 1, 2015.

#### Other Funds Budget Process

In addition to the general fund, the County of San Bernardino has capital project funds, special revenue funds, enterprise funds and internal service funds. All of these funds are restricted to the revenue sources they receive. Each department having these types of funds is responsible for developing its budget based on the revenue (sources) available to them. These sources include projected revenue to be collected in 2015-16 and any revenue not spent and carried forward from prior years (for example, fund balance for special revenue funds). These budgets will also be discussed during the Budget Hearing. When the Board of Supervisors adopts the recommended budget, they will also approve the necessary fund balance adjustments to governmental funds to agree to the Auditor-Controller/Treasurer/Tax Collector's actual fund balance.



### Other Entities Budget Process

In 2014-15, Board Governed Special Districts and Other Agencies (referred to collectively as “entities”) were consolidated into a uniform, Countywide budget process. These entities include special revenue funds, capital project funds, internal service funds, enterprise funds and permanent funds. Acting as the appropriate governing body, the Board is presented with and adopts a recommended budget for each respective entity.

The 2015-16 Adopted Budget, including all entities and funds discussed above, was formally adopted on June 16, 2015. At that time, the Board approved the following additional changes:

- A \$13,600 appropriation adjustment to the Sheriff/Coroner/Public Administrator Operations budget, decreasing operating expenses to fund an Electrical Upgrade and Wall Removal Project at the Coroner’s office.
- An increase in Requirements and Sources in the Capital Improvement Fund of \$2,672,000 to fund the acquisition of a building in San Bernardino for the Probation Department to accommodate increased staffing levels, funded with additional Senate Bill 678 revenue.
- An increase to Requirements and Sources in the Capital Improvement Fund to fund the Purchasing Print Shop Electrical Upgrade Project in the amount of \$109,000 funded by an increase in Operating Transfers from the Printing Services Internal Service Fund.
- A decrease in Capital Expenditures and Reimbursements of \$50,160 in the Capital Improvement Fund to reflect the cancellation of a paint and carpet project for Printing Services (Purchasing)\*.
- An increase in Requirements and Sources of \$40,000 in the Capital Improvement Fund for the El Mirage Off Highway Vehicle (OHV) Water Well Removal Project.
- An increase in Requirements of \$2,500,000 in the Capital Improvement Fund, funded with Discretionary General Funding, for the Apple Valley Library Structural Beam Repair Project.
- An increase in Requirements of \$2,075,000 in the District Attorney’s general fund budget unit, funded with Discretionary General Funding, for costs associated with the 303 West Third Street Building Remodel Project.
- The addition of 30 new positions (15 Ambulance Operator – Paramedics and 15 Ambulance Operator – Emergency Medical Technicians) in the Fire Protection District for the contract with the Hesperia Fire Protection District. This is offset by the deletion of 30 limited term firefighter positions. Adequate appropriation was included in the 2015-16 Recommended Budget to fund this conversion.

### Amending the Adopted Budget

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the appropriation unit level within budget units for the County. Any increases in appropriation in a budget unit after adoption of the adopted budget will be submitted on a quarterly budget report placed on the agenda of the Board of Supervisors and a four-fifths vote is necessary for approval. Transfers of appropriation within the same budget unit may be approved by the County Administrative Office depending upon the appropriation unit, unless noted below:

#### **Transfer of Salaries and Benefits Appropriation:**

- Transfers out require Board of Supervisors approval and should be included in a quarterly budget report.

#### **Transfers of Fixed Asset Appropriation:**

- Transfers in and out among the different fixed asset appropriation units are approved by the County Administrative Office as long as the total fixed asset appropriation does not increase.
- Transfers out of Fixed Asset Appropriation-
  - Transfers out increasing a non-fixed asset appropriation unit within individual Capital Improvement Program (CIP) project budgets are approved by the County Administrative Office as long as the total project budget does not increase.

\* Requirements and Sources included in the Capital Improvement Program reflect a technical adjustment to the 2015-16 Recommended Budget – Attachment B (June 16, 2015, Item No. 95) for CIP Project 6K16. This technical adjustment corrects the decrease in Sources to a decrease in Reimbursements. This corrects a clerical error within the accounting string shown in Attachment B. This adjustment does not impact overall expenditure authority.



- Transfers out increasing a non-fixed asset appropriation unit are required to be included in the quarterly budget reports for Board of Supervisors approval, except within the CIP, as detailed above.
- Transfers in of Fixed Asset Appropriation-
  - Transfers in from a non-fixed asset appropriation unit to fund a unit value less than \$10,000 may be approved by the County Administrative Office.
  - Transfers in from a non-fixed asset appropriation unit to fund a unit value of \$10,000 or more are required to be included in the quarterly budget reports for Board of Supervisors approval.

### Transfers impacting Operating Transfers Out Appropriation:

- Any changes to Operating Transfers Out are required to be included in the quarterly budget reports for Board of Supervisors approval.

### BUDGET BOOK FORMAT

Budget units presented in this book are displayed at a fund/department level. Although some departments incorporate additional organizational levels when developing their budgets, the fund/department level of presentation was selected to provide consistency between all budget units. A sample of the departmental budget format is included in this overview.

## DEPARTMENT Department Head

The department name and responsible administrator are listed at the top.

### DEPARTMENT MISSION STATEMENT

*A clear, concise statement of purpose for the department that focuses on the broad, yet distinct, results the department will achieve.*

Photo of the  
Department  
Head

### ORGANIZATIONAL CHART

Demonstrates the names of key personnel and departmental structure by function, including budgeted staffing counts.

To determine total budgeted staffing, count the values listed in each box.

### SUMMARY OF BUDGET UNITS

2015-16						
	Requirements	Sources	Net County Cost	Use of / (Contribution to) Fund Balance	Use of / (Contribution to) Net Position	Staffing
<b>General Fund</b>						
Name of General Fund Budget Unit	0	0	0			0
Total General Fund	0	0	0			0
<b>Special Revenue Funds</b>						
Name of Special Revenue Fund Budget Unit	0	0		0		0
Total Special Revenue Funds	0	0		0		0
<b>Internal Service Funds</b>						
Name of ISF Budget Unit	0	0			0	0
Total Internal Service Funds	0	0			0	0
<b>Enterprise Funds</b>						
Name of EF Budget Unit	0	0			0	0
Total Enterprise Funds	0	0			0	0
<b>Total - All Funds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



## 2014-15 MAJOR ACCOMPLISHMENTS

2014-15 Major Accomplishments provides significant departmental accomplishments during the last fiscal year.

## DEPARTMENT GOALS AND OBJECTIVES

COUNTY GOAL: BLANK		Measure	2013-14 Actual	2014-15 Target	2014-15 Actual	2015-16 Target
OBJECTIVE			0	0	0	0
OBJECTIVE						
STRATEGY						
STRATEGY						
STRATEGY						
STRATEGY						

The above table lists the County Goal and Objectives, department strategies and performance measures for the 2015-16 fiscal year.

The budget unit name is listed at the top, and begins the section on specific budget unit information. Up to this point the data has been departmental.

### Name of Budget Unit

## DESCRIPTION OF MAJOR SERVICES

Description of Major Services provides a narrative describing the function and activity of the budget unit.

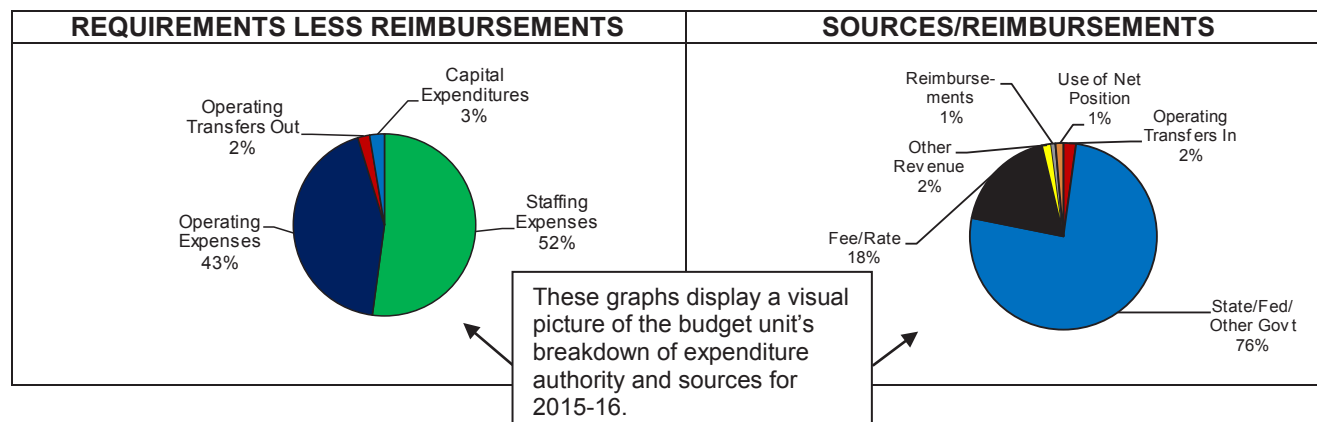
### Budget at a Glance

Requirements Less Reimbursements	\$5,434,814
Sources/Reimbursements	\$501,095
Net County Cost	\$4,933,719
Total Staff	17
Funded by Net County Cost	91%

Budget at a Glance lists the budget unit's 2015-16 total requirements less reimbursements, total sources plus reimbursements, total budgeted staffing and percentage of net county cost or use of carry over funding, if any.



## 2015-16 ADOPTED BUDGET



## ANALYSIS OF 2015-16 ADOPTED BUDGET

The header shows which budget unit you are looking at and lists the Function and Activity per state guidelines.

GROUP: -  
DEPARTMENT: -  
FUND: -

BUDGET UNIT: -  
FUNCTION: -  
ACTIVITY: -

	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2014-15 Final Budget	2015-16 Adopted Budget	Change From 2014-15 Final Budget
<b>Requirements</b>							
Staffing Expenses	0	0	0	0	0	0	0
Operating Expenses	0	0	0	0	0	0	0
Capital Expenditures	0	0	0	0	0	0	0
Total Exp Authority	0	0	0	0	0	0	0
Reimbursements	0	0	0	0	0	0	0
Total Appropriation	0	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0	0
Total Requirements	0	0	0	0	0	0	0
<b>Sources</b>							
Taxes	0	0	0	0	0	0	0
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	0	0	0	0
Fee/Rate	0	0	0	0	0	0	0
Other Revenue	0	0	0	0	0	0	0
Total Revenue	0	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0	0
Total Sources	0	0	0	0	0	0	0
Net County Cost	0	0	0	0	0	0	0
Budgeted Staffing*	0	0	0	0	0	0	0

\* Data represents final budgeted staffing



## DETAIL OF 2015-16 ADOPTED BUDGET

***Detail of 2015-16 Adopted Budget section only applies to funds that have been consolidated for presentation purposes*** (i.e. Assessor/Recorder/County Clerk Recorder Special Revenue Funds, Human Services Subsistence funds, etc.) This section depicts the budget detail of each individual budget unit for 2015-16, including staffing, requirements, sources, net county cost, fund balance, and net position, where applicable; and also includes a description of major programmatic changes in expenditures and revenues (sources).

## MAJOR EXPENDITURES AND REVENUE IN 2015-16 ADOPTED BUDGET

The Major Expenditures and Revenue in 2015-16 Adopted Budget section briefly describes significant budgeted expenditures and sources included within the Departments' adopted budget.

## BUDGET CHANGES AND OPERATIONAL IMPACT

The Budget Changes and Operational Impact section briefly describes any major budget unit program impacts, and highlights the 2015-16 budget, including significant changes in requirements and sources from the prior year Final budget.

## ANALYSIS OF FUND BALANCE (OR NET POSITION)

***Analysis of Fund Balance section only applies to governmental funds other than the general fund and Enterprise/Internal Service funds.*** The Analysis of Fund Balance section (for governmental funds other than the general fund) or the Analysis of Net Position section (for Enterprise and Internal Service Funds) briefly describes how Fund Balance or Net Position is being used in the 2015-16 Budget, if applicable, and if these expenditures are one-time or ongoing. If being used to fund ongoing expenses, this section will also address the department's plan to reduce reliance on Fund Balance or Net Position to fund ongoing costs.

## 2015-16 POSITION SUMMARY

Division	2014-15 Final Staffing	Adds	Deletes	Reorgs	2015-16 Adopted	Limited	Regular
					0		
					0		
					0		
Total	0	0	0	0	0	0	0

The 2015-16 Position Summary above displays 2014-15 final budgeted staffing by division within the budget unit and the details regarding positions that have been added, deleted or reorganized to derive the 2015-16 Adopted staffing. It also provides limited and regular position counts for 2015-16 Adopted staffing.

## STAFFING CHANGES AND OPERATIONAL IMPACT

The Staffing Changes and Operational Impact section briefly highlights budgeted staffing changes and operational impacts for 2015-16, including significant changes from the prior year budgeted staffing.



## SUMMARY

	Fiscal Year 2013-14 Actual Amount	Fiscal Year 2014-15 Adopted Budget	Fiscal Year 2014-15 Final Budget	Fiscal Year 2015-16 Adopted Budget	Change From Prior Year	Percent Change From Prior Year
<b>Requirements</b>						
Staffing Expenses	1,728,186,677	1,839,470,445	1,843,624,834	1,885,078,696	41,453,862	2.25%
Operating Expenses	2,166,843,110	2,350,550,339	2,484,264,958	2,550,500,888	66,235,930	2.67%
Capital Expenditures	104,585,701	324,348,910	389,419,195	328,674,928	(60,744,267)	-15.60%
Reimbursements	(269,272,714)	(310,159,873)	(322,290,416)	(334,355,666)	(12,065,250)	3.74%
Contingencies***	170,271,472	78,777,066	110,989,124	126,105,409	15,116,285	13.62%
Subtotal Appropriation	3,900,614,246	4,282,986,887	4,506,007,695	4,556,004,255	49,996,560	1.11%
Operating Transfers Out	107,041,637	233,341,714	295,789,328	263,646,169	(32,143,159)	-10.87%
General Fund Contributions to Reserves	0	48,227,450	49,689,395	68,515,086	18,825,691	37.89%
Non-General Fund Contribution to Reserves***	0	326,654,563	309,597,646	359,359,025	49,761,379	16.07%
Total Requirements	4,007,655,883	4,891,210,614	5,161,084,064	5,247,524,535	86,440,471	1.67%
<b>Sources</b>						
Taxes	750,865,921	733,643,627	757,399,857	792,753,688	35,353,831	4.67%
1991 Realignment	199,674,448	209,149,972	264,266,516	272,517,138	8,250,622	3.12%
2011 Realignment	303,121,828	304,905,462	358,822,969	398,381,791	39,558,822	11.02%
State, Federal, or Government Aid	1,465,959,580	1,573,072,710	1,552,142,698	1,551,552,319	(590,379)	-0.04%
Fee/Rate	952,964,908	893,328,166	898,789,065	923,554,858	24,765,793	2.76%
Other Revenue	139,686,784	122,895,072	163,832,754	122,268,881	(41,563,873)	-25.37%
Operating Transfers In	211,504,128	213,179,591	275,501,665	254,752,449	(20,749,216)	-7.53%
Use of Fund Balance/Unrestricted Net Position*	(10,968,542)	725,083,452	725,083,452	749,711,514	24,628,062	3.40%
General Fund Unassigned Fund Balance*	(5,153,174)	110,316,025	110,316,025	179,109,752	68,793,727	62.36%
Use of General Fund Reserves	0	5,636,537	54,929,063	2,922,144	(52,006,919)	-94.68%
Total Sources	4,007,655,883	4,891,210,614	5,161,084,064	5,247,524,535	86,440,471	1.67%
Budgeted Staffing**	21,082	21,186	21,466	21,755	289	1.35%

\* For 2013-14, the two Fund Balance budget line items represent either the actual use of fund balance/net position (if positive amounts) or the actual increase to fund balance/net position (if negative amounts) throughout the fiscal year.

\*\*2013-14 Budgeted Staffing reflects the Final Budget amounts, as actuals for staffing vary throughout the fiscal year.

\*\*\*Beginning in 2015-16, Non-General Fund budget units will no longer budget contingencies, but rather contribute any excess available sources to a specific reserve account. Non-General Fund Contribution to Reserves in years 2013-14 through 2014-15 do not represent actual contributions to reserves. Prior years have been restated for comparison purposes. Amounts also include estimated increases to Available Unrestricted Net Position in Enterprise and Internal Service funds.

## Overview of 2015-16 Requirements and Sources

As the largest political subdivision of the State, counties are vested by the California State legislature with the powers necessary to provide for the health and welfare of the people within its borders. The \$5.2 billion 2015-16 Adopted Budget reflects the planned allocation of resources necessary to carry out this mission for the citizens of San Bernardino County. This budget has been developed in accordance with the Countywide Vision which promotes a sustainable system of high-quality education, community health, public safety, housing, retail, recreation, arts and culture, and infrastructure. The County's 21,755 budgeted positions are responsible for a wide variety of services to residents, from responding to calls for help in emergencies (Sheriff and Fire Department) to giving businesses the tools they need to succeed (Economic Development Agency) to providing a home for children in need (Human Services – Subsistence). The following budget is adopted in order to continue to provide the County's many important services in a fiscally responsible and sustainable manner.

Total Requirements of \$5.2 billion consist primarily of Staffing and Operating Expenses, which represent 79.5% (\$4.4 billion) of total requirements (excluding the effect of reimbursements). Staffing Expenses of \$1.9 billion consist of salaries of \$1.2 billion and benefit costs of \$689.2 million. Departments with significant budgeted staffing expenses include the Sheriff/Coroner/Public Administrator (\$433.8 million, 3,664 positions), Human Services Administrative Claim (\$338.5 million, 4,735 positions), and Arrowhead Regional Medical Center (\$253.7 million, 3,699 positions). The largest benefit related cost for the County is employee pensions (retirement), which



makes up 59% (\$403.2 million) of all costs associated with employee benefits. The increase in staffing costs of \$41.5 million is primarily due to increased costs of \$35.8 million for additional staff for Human Services Departments (156 positions) and the Law and Justice Departments (85 positions). Retirement costs have also increased in 2015-16 (\$41.7 million) however this increase is largely offset by savings as the result of the elimination of a portion of the employer paid portion of retirement (\$28.1 million) for employees represented by the County's largest union.

Operating Expenses in the County include costs for services and supplies, internal service fund charges, travel, transfers to the other County departments, and other charges. These expenses represent the largest share of costs within the County at \$2.6 billion, which is primarily a result of the State giving the County the responsibility for administration of Human Services programs. Many of these programs provide subsistence payments to help residents in need throughout the County and as a result, the Human Services operational group makes up almost half (46%) of the County's operating expenses. In 2015-16 Operating Expenses are increasing by \$66.2 million which is primarily associated with increases in Human Services (\$52.7 million) and the Law and Justice Departments (\$15.0 million).

Total Requirements of \$5.2 billion are increasing over the 2014-15 Final Budget by \$86.4 million, or 1.67%. This slight increase is associated with increases in Staffing and Operating Expenses (combined total of \$107.7 million) as well as increases in Contingencies (\$15.1 million), but is offset by a combination of increases in reimbursements (\$12.1 million) and decreases in both Capital Expenditures and Operating Transfers Out (combined total of \$92.9 million). Decreases in Capital expenditures (\$60.7 million) is primarily associated with changes within the County Capital Improvement Program where major, multi-year projects either concluded in 2014-15 or are budgeted at reduced levels in 2015-16. This includes the High Desert Detention Center Expansion project (concluded in 2014-15) and the 800Mhz Upgrade Project, County Buildings Acquisition and Retrofit Project, Sheriff Crime Lab Expansion Project and the Sheriff's Aviation Relocation Project (Combined net decrease of \$59.1 million from 2014-15).

Total Requirements includes Contingencies and Contributions to Reserves (General Fund and Non General Fund). Like Contingencies, Contributions to Reserves represent sources that are not planned to be spent in the coming fiscal year. Beginning in 2015-16, governmental funds other than the general fund no longer budget amounts in Contingencies. Instead amounts that are available but not budgeted to be spent, are contributed to a specific reserve account. As a result, prior years have been restated for comparative purposes. Excluding Contingencies and Contributions to Reserves, the total budget available for expenditure in 2015-16 is \$4.7 billion.

Further detail on General Fund Contingencies and Reserves can be found in the Discretionary General Funding and Restricted Funds section of the Executive Summary. In 2015-16 Non-General Fund departments no longer budget contingencies, but rather allocate excess sources to specific reserves. Prior years have been restated for comparative purposes.

The three major funding sources of the County include revenue from other governmental entities (State, Federal or Government Aid), funding for direct services provided (Fee/Rate), and taxes. At \$1.6 billion, State, Federal or Government Aid represents 29.6% of the County budget. The Human Services operational group receives the largest amount of funds from other governments, with \$335.0 million received from the State and \$641.3 million received from the federal government. Fee/Rate revenue of \$923.6 million represents 17.6% of the County budget and includes funding from licenses, permits, fines, fees, rates, and other charges for direct services provided by the County. Much of this funding (\$212.4 million) is received by departments, such as the Information Services Department and Risk Management Department, that provide direct services to other County Departments. Other notable departments that receive funding to provide specific services include the Sheriff's Department (\$135.3 million), which provides law enforcement services for 14 incorporated county cities, and the Public Work's Solid Waste Division (\$75.1 million) that is responsible for the operation and management of the County solid waste disposal system.

While historically it has been assumed that counties are reliant on relatively stable property taxes for the provision of services, with the realignment of many state services, counties have become increasingly dependent on sales tax revenue. When combining 1991 and 2011 Realignment revenues, which are primarily funded with sales tax

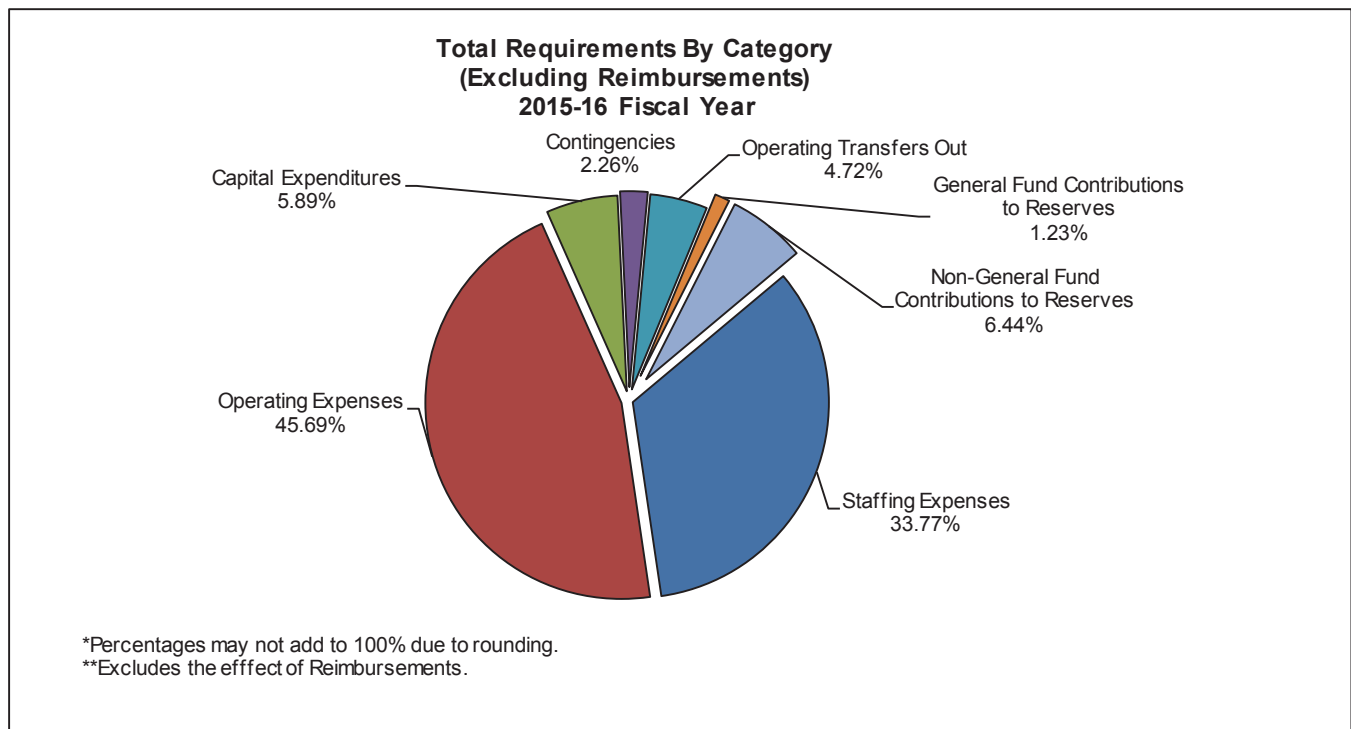


(\$670.9 million), with County sales tax (\$21.6 million) and Proposition 172 Half Cent Sales taxes (\$164.8 million), the portion of requirements funded primarily with sales tax represents 16.3% of the County budget. While sales taxes are projected to experience a modest increase in 2015-16, they tend to be much more volatile and quicker to react to changes in the economy, resulting in a higher risk of funding losses in future years.

The County's approach to increasing County reserves reflects a fiscally conservative recognition of the resource shift from historically stable to risky tax sources. In 2014-15, the County contributed \$49.7 million to General Fund reserves and is budgeted to contribute \$68.5 million in 2015-16. Further detail on County Reserves can be found in the Discretionary General Funding and Restricted Funds section of the Executive Summary.

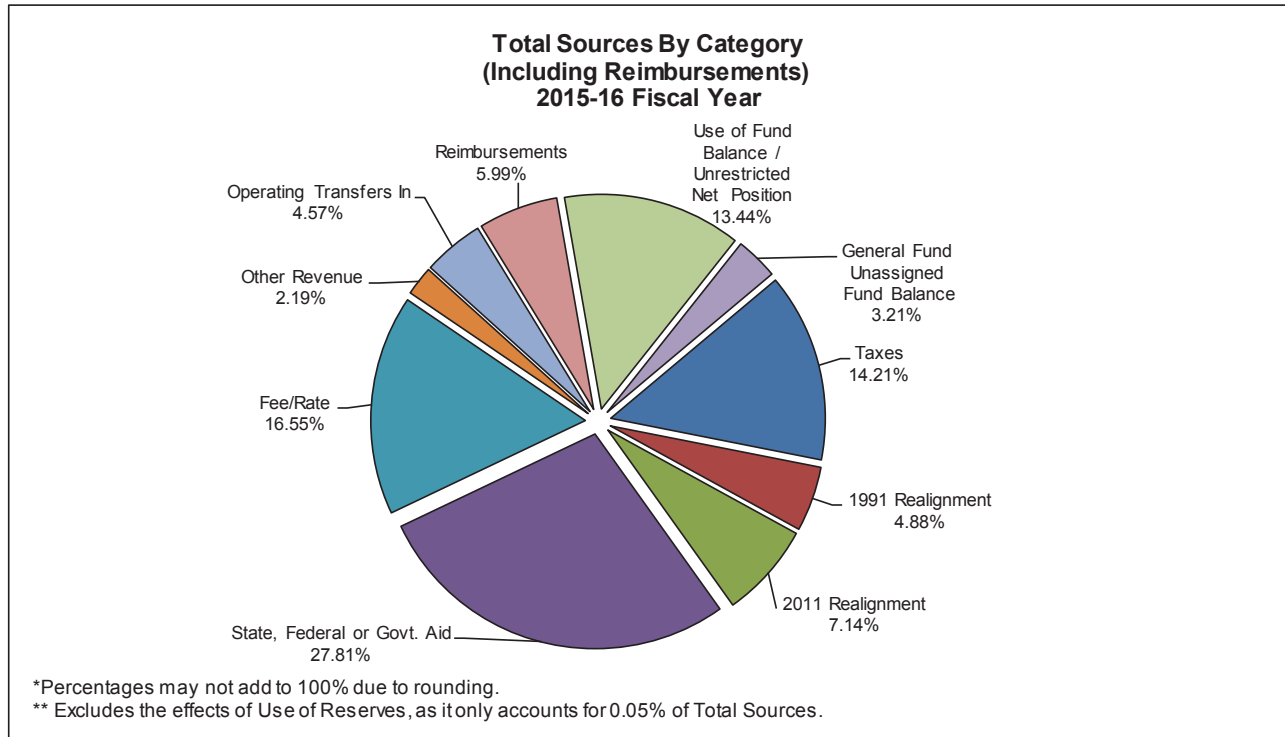
## REQUIREMENTS AND SOURCES BY CATEGORY

Total Requirements (excluding the effect of reimbursements) include approved expenditure appropriation for adoption by the Board of Supervisors, operating transfers out, and contributions to reserves for the County General Fund and for non-general fund departments. Operating transfers out provide a mechanism to transfer funding between budget units and are not appropriated to spend.



Total Sources (including the effect of reimbursements) include projected revenue and operating transfers in, which provide a mechanism to transfer funding from one budget unit to another within the County. Additionally, sources include the use of fund balance/unrestricted net position for all non-general funds, the general fund available unassigned fund balance, and the use of County reserves.





## REQUIREMENTS SUMMARY

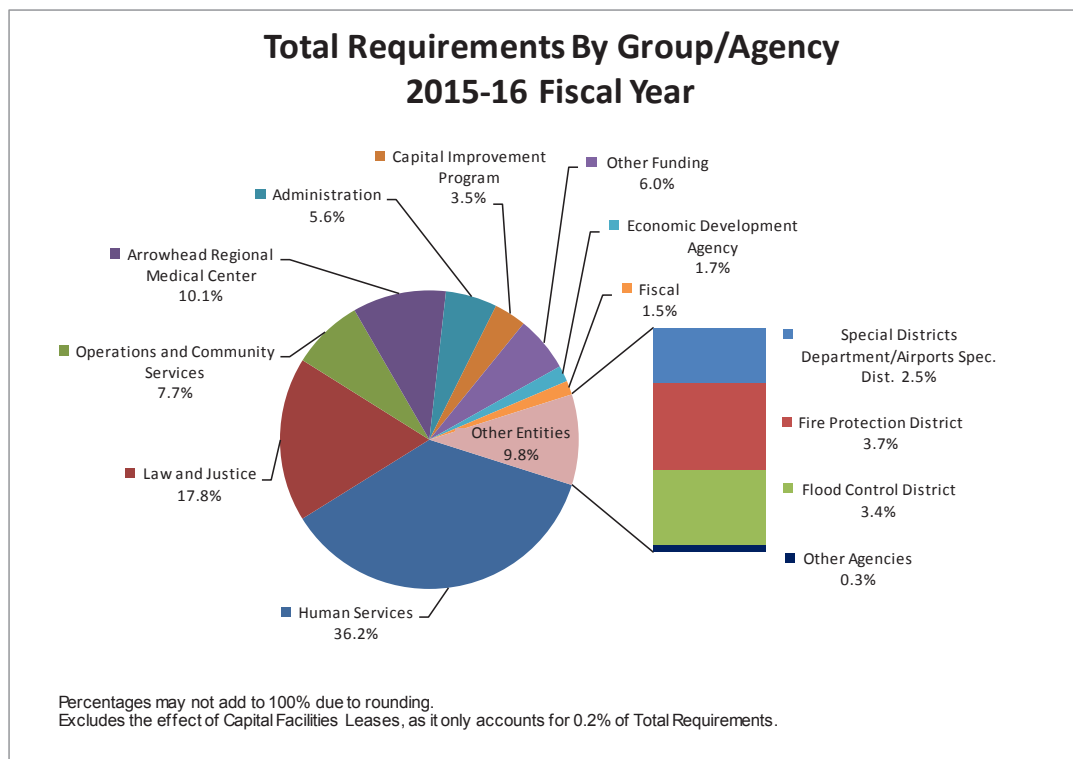
The 2015-16 Adopted Budget includes requirements of \$5.2 billion, which is a net increase of \$86.4 million or 1.67% compared to the 2014-15 Final Budget.

	Fiscal Year 2013-14 Actual Amount	Fiscal Year 2014-15 Adopted Budget	Fiscal Year 2014-15 Final Budget	Fiscal Year 2015-16 Adopted Budget**	Change From Prior Year	Percent Change From Prior Year
<b>County:</b>						
Administration	235,056,698	279,716,547	283,519,606	291,462,469	7,942,863	2.80%
Capital Facilities Leases	12,723,643	13,016,519	13,622,776	12,940,810	(681,966)	-5.01%
Economic Development Agency	36,367,747	76,133,849	102,326,026	91,323,492	(11,002,534)	-10.75%
Fiscal	60,058,730	74,122,924	75,197,393	78,243,609	3,046,216	4.05%
Arrowhead Regional Medical Center	519,701,460	497,550,983	521,516,044	529,808,838	8,292,794	1.59%
Human Services	1,604,517,263	1,784,748,231	1,827,275,362	1,896,338,489	69,063,127	3.78%
Law and Justice	806,109,464	874,521,236	909,212,396	930,293,104	21,080,708	2.32%
Operations and Community Services	274,331,312	380,579,092	403,314,247	405,372,538	2,058,291	0.51%
Capital Improvement Program	47,738,824	194,509,142	239,347,887	183,148,204	(56,199,683)	-23.48%
Other Funding	174,034,560	229,118,412	278,089,742	314,155,802	36,066,060	12.97%
<b>Subtotal:</b>	<b>3,770,639,701</b>	<b>4,404,016,935</b>	<b>4,653,421,479</b>	<b>4,733,087,355</b>	<b>79,665,876</b>	<b>1.71%</b>
<b>Special Districts/Other Agencies:</b>						
Special Districts Department/Airports Spec. Dist.	43,910,134	120,766,295	131,174,850	129,142,965	(2,031,885)	-1.55%
Fire Protection District	125,997,746	196,654,229	204,627,344	196,035,176	(8,592,168)	-4.20%
Flood Control District	57,639,773	156,991,933	157,156,933	176,049,767	18,892,834	12.02%
Other Agencies	9,468,529	12,781,222	14,703,458	13,209,272	(1,494,186)	-10.16%
<b>Subtotal:</b>	<b>237,016,182</b>	<b>487,193,679</b>	<b>507,662,585</b>	<b>514,437,180</b>	<b>6,774,595</b>	<b>1.33%</b>
<b>Total:</b>	<b>4,007,655,883</b>	<b>4,891,210,614</b>	<b>5,161,084,064</b>	<b>5,247,524,535</b>	<b>86,440,471</b>	<b>1.67%</b>
<b>Budgeted Staffing*</b>	<b>21,082</b>	<b>21,186</b>	<b>21,466</b>	<b>21,755</b>	<b>289</b>	<b>1.35%</b>

\* 2013-14 Budgeted Staffing reflects the Final Budget amounts, as actuals for staffing vary throughout the fiscal year.

\*\* Requirements include contributions to Available Reserves in Special Revenue Funds and Capital Project Funds, funded with beginning fund balance.





Below are explanations of the major expenditures that are included in the \$5.2 billion 2015-16 Adopted Budget and changes from the 2014-15 Final Budget. It should be noted that Requirements discussed in this section include Contributions to Reserves. As a result, the Total Requirements included in this section may not align with the Total Requirements discussed on Budget Unit Specific pages where these contributions are reflected as "Available Reserves".

### **County Operations**

**Administration** has requirements of \$291.5 million and contains County departments and functions that provide leadership and support to departments that provide direct public services to County residents. The leadership section of this operational group includes the Board of Supervisors (\$7.7 million), which is the governing body of County government, and the County Administrative Office (\$4.9 million), which directs and coordinates departmental activities according to the law and strategic goals set by the Board of Supervisors. Various support functions include civil legal services provided by County Counsel (\$8.5 million), employment and employee related services provided by Human Resources (\$18.9 million), and information technology support provided by the Information Services Department (\$79.8 million). The largest department in the Administration operational group is the Department of Risk Management, which has requirements of \$106.1 million and administers the County self-insured workers' compensation, public liability, property conservation, safety and risk reduction programs as well as its insured programs.

Overall, the change in budget from the 2014-15 Final Budget for this operational group is \$7.9 million, which represents a 2.8% increase in requirements. The most notable change is a \$6.7 million increase across the Information Services Department budget units. This increase will fund a capital improvement project for additional warehouse space that will include specialty vehicle storage and office space.

**Capital Facilities Leases** has requirements of \$12.9 million and funds the cost of long-term capital lease payments for major County facilities financed by the General Fund. Lease payments include the Justice Center/Chino Airport Improvements project and the West Valley Detention Center.



**Economic Development Agency** has requirements of \$91.3 million and provides services that seek to create, maintain, and grow the economic value of the County. Such services include small business assistance and technical support, permitting assistance, and business site selection assistance. Notable departmental requirements include \$63.3 million for Community Development and Housing (CDH) services which includes infrastructure improvements in the areas surrounding the San Sevaine and Cedar Glen communities, and \$24.5 million for the Department of Workforce Development, which is funded by federal Workforce Innovation and Opportunity Act revenue to provide services to County residents including job search, skills assessments, vocational training, job readiness skills, and connection to employers.

The net reduction in requirements of \$11.0 million is primarily due to the use of fund balance in 2014-15 by CDH to fund one-time housing projects, such as Bloomington (\$10.2 million) and Cedar Glen (\$4.3 million), which are not being funded at the same levels in 2015-16.

**Fiscal** has requirements of \$78.2 million and includes the Auditor-Controller/Treasurer/Tax Collector (\$41.2 million) as well as the Assessor/Recorder/County Clerk (\$37.1 million). These departments provide services to the public and other County departments related to the establishment and collection of County property taxes along with other fiscal services that ensure the proper reporting and usage of taxpayer funds. Specifically, the Auditor-Controller/Treasurer/Tax Collector processes, safeguards and provides information regarding County financial activities, manages the County treasury pool, collects and distributes property taxes and other obligations owed to County agencies and courts. The Assessor/Recorder/County Clerk performs mandated assessment of properties, recording of real estate and other documents, and County clerk functions.

Total requirements in this group are increasing \$3.0 million (4.05%) and are primarily associated with an increase of 18 positions within the Auditor-Controller/Treasurer/Tax Collector which will increase efficiencies throughout the department including the divisions of Central Collections, Information Technology, Tax Collection, Auditor and Disbursements. Eight of the new positions in Auditor-Controller are funded by an increase in ongoing Net County Cost in an effort to increase services levels in Accounts Payables, Internal Audits and Tax Collection.

**Arrowhead Regional Medical Center (ARMC)** has total requirements of \$529.8 million and provides medical services to County residents. ARMC is an acute care facility that provides a full range of inpatient and outpatient services, has three off campus community health centers, and provides Department of Behavioral Health's inpatient activities and numerous specialty activities. For 2015-16, ARMC will continue to focus on the conversion of patients from self-pay to Medi-Cal to maximize the utilization of Federal and State programs to ensure receipt of all available resources under the Affordable Care Act.

ARMC is increasing requirements a net \$8.3 million, which represents a 1.6% increase. The increase is primarily due to increases related to labor union contracts, physician fees, and volume-related incremental costs such as labor, medical supplies, equipment rentals, and professional fees. Additionally, the Medical Center is increasing Capital Expenditures by \$1.8 million in order to fund needed clinical and non-clinical equipment purchases such as the dual purpose catheterization laboratory equipment.

**Human Services** is the largest operational group within the County with requirements totaling \$1.9 billion. This group provides health and social service programs to County residents through a number of County departments. Health services are provided primarily through the Department of Behavioral Health (\$419.7 million) and Public Health (\$113.5 million). Social services are provided primarily through Human Services (\$1.1 billion) including the Human Services Administrative Claim budget unit (\$545.0 million), the Human Service Subsistence Payments budget units (\$544.0 million) and the Wraparound Reinvestment Fund budget unit (\$13.2 million). Additional social services are provided by the Preschool Services Department (\$50.2 million), Child Support Services Department (\$40.0 million), and the Aging and Adult Services Department (\$9.4 million).

Human Services is increasing budgeted requirements by \$69.1 million primarily due to increases in the Human Services Administrative Claim, Department of Behavioral Health, and the Human Services Subsistence Units. The Human Services Administrative Claim is increasing requirements by \$25.8 million that is primarily associated with significant increases in services and support provided to clients within the Welfare to Work and Child Welfare Services programs (\$20.3 million). Between its Mental Health Services Act Special Revenue Fund and General



Fund budget units, the Department of Behavioral Health (DBH) is increasing requirements by \$40.9 million to meet the growing need for Correctional and Clinical Mental Health Services within the County. The net increase is primarily due to increases in Staffing and Operating expenses (\$5.0 and \$16.5 million, respectively), Operating Transfers Out and Contributions to Reserves (\$6.9 million and \$15.5 million, respectively) and are offset by an approximate \$3.2 million increase in budgeted reimbursements. The Human Services – Subsistence funds are also increasing requirements by \$11.1 million as the result of increases in both caseload and average grant payments within the General Relief, Aid to Adoptive Children, Foster Care, Cash Assistance for Immigrants and Refugee Cash Assistance and Kinship Guardianship Adoptions assistance programs.

**Law and Justice** has requirements of \$930.3 million and provides public safety services to County residents. The Sheriff/Coroner/Public Administrator (total - \$576.5 million) provides law enforcement services for the unincorporated areas of the County and certain services on a countywide basis through its Operations budget unit (\$224.4 million). Another primary function of the Department is to provide Detention facilities (\$190.5 million) for all of the County pre-sentenced inmates as well as sentenced inmates no longer required to go to State prison as a result of the realignment by the State of adult offenders (2011 Realignment). The Department also provides law enforcement services to 14 county cities through contractual agreements (\$135.3 million). The Probation Department (\$185.2 million) provides supervision of adult and juvenile probationers throughout the County as well as for recently realigned State parolees (2011 Realignment). The District Attorney's Office (\$84.0 million) is responsible for prosecuting crimes committed within the County and the Public Defender (\$38.3 million) provides legal counsel for indigent defendants within the County.

Requirements are increasing by \$21.1 million in this operational group primarily due to increased costs of operations and the expansion of various departmental programs. The Sheriff/Coroner/Public Administrator is increasing requirements in its general fund budget units by \$24.2 million, primarily associated with increases in staffing costs and the expansion of programs across the department's budget units. This includes the expansion of mental health and physician services at the jails, increased retirement costs for existing staff, and the addition of a net 15 positions (18 additions, 3 deletions) which are necessary to provide for higher levels of inmate health screening and additional oversight at the jails. The Probation Department's Special Revenue funds are increasing requirements by \$21.0 million due to the set aside of available reserves (\$13.3 million) and increased transfers (\$5.0 million) to the Department's general fund budget unit to reimburse the cost of 43 new positions and related operating costs associated with providing programs and services to reduce criminal recidivism. These increases are offset by decreases in the Sheriff Special Revenue Funds and Probation General Fund budget units of \$31.4 million primarily due to reductions in operating transfers out and capital expenditures which were funded with one-time monies in 2014-15. Lastly, due to the passage of Proposition 47, which reclassified certain nonviolent drug and property crimes from felonies to misdemeanors, an additional \$1.3 million in one-time Discretionary General Funding is allocated to the District Attorney, Public Defender, and County Indigent Defense budgets to assist with the large caseload associated with the process of resentencing applicable offenders.

**Operations and Community Services** has requirements of \$405.4 million and provides both internal support of County operations as well as external services to the public that promote the quality of life and well-being of County residents. Services that support the general operation of County government include custodial, grounds, and maintenance by Real Estate Services - Facilities Management Division (\$15.9 million), the payment of County utilities (\$20.9 million), Real Estate Services (\$4.2 million) and the Chino Agricultural Preserve (\$16.5 million). Departments that provide direct services to the community include Agriculture/Weights and Measures (\$7.1 million), the County Library (\$23.3 million), Land Use Services (\$23.0 million), Registrar of Voters (\$9.2 million), Regional Parks (\$17.7 million), and the County Museum (\$3.3 million). Notably, this group also includes the Department of Public Works – Transportation (\$156.9 million) and Public Works – Solid Waste Management (\$92.4 million). The Transportation Division is responsible for the operation, maintenance, and improvement of the County's road system that currently includes approximately 2,768 miles of roadway. Solid Waste Management is responsible for the operation and management of the County solid waste disposal system, which consists of six regional landfills, nine transfer stations, and thirty-three closed landfills or disposal sites.

The net increase in requirements is \$2.1 million, which represents an increase of 0.51% from the 2014-15 Final Budget, and is primarily due to the following changes:



- Land Use Services Departments are decreasing by an aggregate \$8.0 million due to the reduction in costs for one-time projects as compared to the prior year (permitting software upgrades and General Plan Update).
- Regional Parks is reducing Requirements by \$0.8 million due to changes in staffing levels and the provision of park services, including reduced costs resulting from a renegotiated contract with the Inland Empire Utilities Agency for water and sewer service at Prado Regional Park.
- Public Works Transportation is increasing Requirements by \$13.3 million primarily due to an increase in contributions to reserves versus the prior year. These reserves are set aside for future one-time expenses including capital projects, equipment replacement and technology systems improvements.
- Facilities Management and Utilities are increasing Requirements by \$2.1 million primarily due to the addition of maintenance services for the High Desert Detention Center (HDDC), including contracted services, material purchases, and the addition of five positions.
- The County Library is increasing Requirements by \$2.8 million primarily to fund replacement of its internet filtering solution in order to comply with board policy and remain eligible for federal e-rate funding. In addition, increased Requirements will fund the procurement of automated book sorters for the Apple Valley, Chino Hills, and Hesperia branches.

**Capital Improvement Program** has requirements of \$183.1 million and is used to account for funding resources designated for the acquisition or construction of major capital facilities. The net reduction is primarily due to a decrease in budgeted expenditures for 2015-16 on the 800Mhz upgrade project, Sheriff's Crime Lab expansion, and County Buildings Acquisition and Retrofit project as compared to 2014-15. Further detail on major capital projects for 2015-16 are shown in the Capital Improvement Program section of this budget summary.

**Other Funding** of \$314.2 million primarily represents the Countywide Discretionary Fund (\$95.4 million), General Fund Contingencies (\$99.6 million), and various restricted funds within the General Fund including contingencies within the Proposition 172 Half-Cent Sales tax budget unit (\$26.5 million), 1991 Realignment (\$10.6 million), and the Automated Systems Development Fund (\$11.8 million). Other Funding also includes Contribution to Reserves of \$68.5 million. Requirements within the Countywide Discretionary Fund are used primarily to transfer Discretionary General Funding to various budget units outside the General Fund to fund various programs and projects, such as a multi-year 800 Mhz upgrade project (\$26.4 million) for 2015-16, and numerous non-major capital improvement projects for County facilities (\$12.0 million).

Restricted Funds (General Fund) consist of four limited use budgets – Proposition 172 Half-Cent Sales tax, 1991 Realignment, 2011 Realignment, and Automated Systems Development. Proposition 172 revenue assists in funding the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments. Realignment assists in funding realigned law and justice, mental health, social services and health programs within the County. Automated Systems Development is funding that is set aside for the purpose of developing, upgrading, and/or replacing the County Financial Accounting System. Further detail on all Restricted Funds can be found in the Discretionary General Funding and Restricted Funds section of this budget document.

The net increase to Other Funding of \$36.1 million primarily represents increases to General Fund Contingencies (\$15.1 million) and General Fund Contributions to Reserves (\$18.8 million). Contingencies represent funding available from 2015-16 sources that have not been allocated for expenditure. Further detail on County Contingencies and Reserves can be found in the Discretionary General Funding and Restricted Funds section of this budget document.

### **Special Districts/Other Agencies Operations**

**Special Districts Department/Airports Special District** has requirements of \$129.1 million and is managed primarily by the Special Districts Department (\$118.5 million) with \$10.7 million in requirements managed by County Airports. Airports manages County Service Area 60, which funds the operation, capital projects and maintenance of the Apple Valley Airport that was built in 1970 and is a public use airport providing general aviation services to the High Desert region.

The Special Districts Department provides for the management, and maintenance of general, parks and recreation, road, sanitation, streetlighting, and water districts for 101 Districts, County Services Areas (CSA) and



Improvement Zones within the County. On December 29, 1969 the Board of Supervisors established CSA 70 Countywide to provide a centralized mechanism for administration of personnel and operations which serve all of the Board Governed CSAs. Staff within CSA 70 Countywide provide centralized and regional management services, administration, engineering, fiscal, human resources, lien administration, park maintenance, payroll, information services, road maintenance and inspection services. Along with \$87.2 million in requirements that are budgeted for all departmental operations, the Special Districts Department maintains several budgets totaling \$31.2 million for the primary purpose of maintaining an adequate level of funds set aside to protect the districts from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the districts.

Overall requirements across Special Districts are remaining relatively flat from the prior year, decreasing by only 1.6%, or \$2.03 million. This decrease is primarily due to the reduction of budgeted expenditures due to completion of various capital projects in the prior fiscal year. Major projects budgeted for 2015-16 include the \$4.3 improvement project in CSA 70 Cedar Glen and a \$4.3 million project to complete the design phase and construct a water pipeline, reservoir and pump station at CSA 70 W-4 Pioneertown.

**Fire Protection District** has requirements of \$196.0 million and provides fire protection and emergency services throughout the County. The District encompasses 16,535 square miles, operates 63 fire stations and 11 facilities within four Regional Service Zones (Mountain, North Desert, South Desert and Valley) and serves more than 60 unincorporated communities, the City of Grand Terrace, and the Town of Yucca Valley. The District is an all-risk fire department providing emergency mitigation and management for fire suppression, emergency medical services (paramedic and non-paramedic), ambulance services, hazardous materials (HAZMAT) response, arson investigation, technical rescue including water borne, flooding and mudslide, winter rescue operations, hazard abatement, terrorism and weapons of mass destruction.

Requirements are decreasing by \$8.6 million which is primarily due to the reduction in contributions to reserves. County Fire is using reserves to fund operations in 2015-16 as a result of a one-time reduction in the County General Fund subsidy in order to establish General Fund reserves for the following two capital projects: County Fire consolidated headquarters and County Fire training center.

**Flood Control District** was created in 1939 under special State legislation and has requirements of \$176.0 million. The District has developed an extensive system of flood control and water conservation facilities, including dams, conservation basins, debris basins, channels and storm drains. The purpose of these facilities is to intercept and convey flood flows through and away from developed areas of the County, as well as to promote water conservation and improved water quality.

The net increase of \$18.9 million is primarily due to departmental increases in available reserves associated with the receipt of a settlement payment related to an insurance coverage action and delayed construction projects.

**Other Agencies** has total requirements of \$13.2 million and contains four Other Agency budget reporting entities in the County, including the In-Home Supportive Services Public Authority (\$8.7 million), Inland Counties Emergency Medical Agency (\$4.4 million), County Industrial Development Authority (\$56,786), and Economic and Community Development Corporation (\$43 dollars). The In-Home Supportive Services (IHSS) program was created in 1973 to serve elderly, blind, and/or disabled individuals who are not able to remain safely in their home without assistance. The Inland Counties Emergency Medical Agency (ICEMA) was developed under a Joint Powers Agreement with San Bernardino, Inyo and Mono Counties and is charged with the coordination, evaluation, and monitoring of emergency medical services within public and private pre-hospital providers, specialty hospitals, paramedic base hospitals, and the effectiveness of Emergency Medical Services (EMS) educational programs and medical disaster preparedness. The County Industrial Development Authority and Economic and Community Development Corporation are agencies created to provide various methods of financing on behalf of private enterprise in order to promote and enhance economic development and increase opportunities for useful employment.

Requirements are decreasing by 10.2% that is primarily associated with a \$1.5 million decrease within ICEMA. This decrease is the result of the elimination of two positions as the result of efficiencies generated by the implementation of the Imagetrend system and a reduction in both capital and pediatric trauma expenditures.

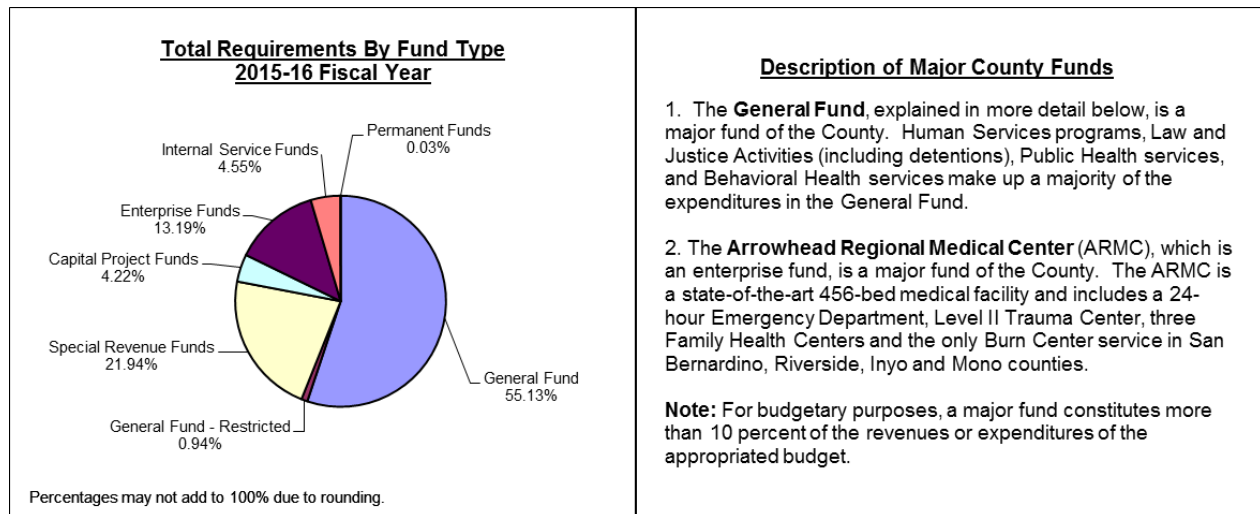


**TOTAL REQUIREMENTS BY FUND TYPE**

	Fiscal Year 2013-14 Actual Amount	Fiscal Year 2014-15 Adopted Budget	Fiscal Year 2014-15 Final Budget	Fiscal Year 2015-16 Adopted Budget	Change From Prior Year	Percent Change From Prior Year
General Fund	2,501,570,339	2,670,603,670	2,802,353,369	2,892,796,649	90,443,280	3.23%
General Fund - Restricted	71,942,076	54,954,325	51,105,995	49,256,709	(1,849,286)	-3.62%
Special Revenue Funds	587,373,548	1,070,711,752	1,097,943,304	1,151,526,320	53,583,016	4.88%
Capital Project Funds	51,557,579	217,961,783	288,162,497	221,295,580	(66,866,917)	-23.20%
Enterprise Funds	618,693,049	650,226,781	692,196,043	692,214,676	18,633	0.00%
Internal Service Funds	176,513,259	225,132,238	227,702,791	238,826,536	11,123,745	4.89%
Permanent Funds	6,032	1,620,065	1,620,065	1,608,065	(12,000)	-0.74%
<b>Total</b>	<b>4,007,655,883</b>	<b>4,891,210,614</b>	<b>5,161,084,064</b>	<b>5,247,524,535</b>	<b>86,440,471</b>	<b>1.67%</b>
Budgeted Staffing*	21,082	21,186	21,466	21,755	289	1.35%

\*2013-14 Budgeted Staffing reflects the Final Budget amounts, as actuals for staffing vary throughout the fiscal year.

Note: In prior years, this chart displayed General Fund - Categorical and General Fund - Discretionary appropriation. In 2015-16 these categories have been combined into one category, General Fund. Prior years have been restated.

**Governmental Fund Types**

**General Fund:** The General Fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund. The General Fund is the County's primary operating fund and requirements are separated into General Fund and General Fund – Restricted. Funds included in the General Fund category are those that the Board of Supervisors predominately have oversight on the sources and requirements, including units that are typically mandated in nature, such as human services programs. General Fund – Restricted Funds consists of Prop 172, 1991 and 2011 Realignment, and Automated Systems Development. In prior years, the General Fund in this chart was broken into Categorical and Discretionary. Beginning in 2015-16, those categories have been combined into one General Fund category and prior years have been restated.

**Special Revenue Funds:** Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects).



**Capital Project Funds:** Capital Project Funds account for financial resources designated for the acquisition or construction of major capital facilities other than those funded by Enterprise and Internal Service Funds.

**Permanent Funds:** Permanent Funds account for legally restricted resources provided by trust in which the earnings but not the principal may be used for purposes that support the primary government's programs.

**Proprietary Fund Types**

**Enterprise Funds:** Enterprise Funds account for operations that are funded and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be funded or recovered primarily through user charges.

**Internal Service Funds:** Internal Service Funds account for the funding of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis.



The matrix below lists the group/agency as depicted in the organizational chart of the County. For each group/agency listed, the various fund types utilized are shown with their total requirements (including Operating Transfers Out).

	General Fund	Special Revenue Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Permanent Funds	Total - All Funds
<b>ADMINISTRATION</b>							
BOARD OF SUPERVISORS	7,663,942						7,663,942
BOARD DISCRETIONARY FUNDING	2,511,716						2,511,716
CLERK OF THE BOARD	2,104,475						2,104,475
COUNTY ADMINISTRATIVE OFFICE	4,933,719						4,933,719
COUNTY ADMINISTRATIVE OFFICE - LITIGATION	393,868						393,868
COUNTY COUNSEL	8,499,243						8,499,243
FINANCE AND ADMINISTRATION	3,048,110	36,743					3,084,853
HUMAN RESOURCES	12,972,999	5,936,694					18,909,693
FLEET MANAGEMENT					40,740,025		40,740,025
INFORMATION SERVICES	2,387,498				77,461,253		79,848,751
PURCHASING	2,362,435				10,838,337		13,200,772
RISK MANAGEMENT					106,138,021		106,138,021
LOCAL AGENCY FORMATION COMMISSION	294,039						294,039
COUNTY SCHOOLS	3,139,352						3,139,352
<b>TOTAL ADMINISTRATION</b>	<b>50,311,396</b>	<b>5,973,437</b>	<b>0</b>	<b>0</b>	<b>235,177,636</b>	<b>0</b>	<b>291,462,469</b>
<b>CAPITAL FACILITIES LEASES</b>							
CAPITAL FACILITIES LEASES	12,940,810						12,940,810
<b>TOTAL CAPITAL FACILITIES LEASES</b>	<b>12,940,810</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,940,810</b>
<b>ARROWHEAD REGIONAL MEDICAL CENTER</b>							
ARROWHEAD REGIONAL MEDICAL CENTER				529,808,838			529,808,838
<b>TOTAL ARROWHEAD REGIONAL MEDICAL CENTER</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>529,808,838</b>	<b>0</b>	<b>0</b>	<b>529,808,838</b>
<b>ECONOMIC DEVELOPMENT AGENCY</b>							
ECONOMIC DEVELOPMENT	3,513,630						3,513,630
COMMUNITY DEVELOPMENT AND HOUSING		39,261,561	24,001,267				63,262,828
WORKFORCE DEVELOPMENT		24,547,034					24,547,034
<b>TOTAL ECONOMIC DEVELOPMENT AGENCY</b>	<b>3,513,630</b>	<b>63,808,595</b>	<b>24,001,267</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>91,323,492</b>
<b>FISCAL</b>							
ASSESSOR/RECORDER/COUNTY CLERK	23,385,365	13,677,535					37,062,900
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	39,324,296	1,856,413					41,180,709
<b>TOTAL FISCAL</b>	<b>62,709,661</b>	<b>15,533,948</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>78,243,609</b>
<b>HUMAN SERVICES</b>							
AGING AND ADULT SERVICES	9,373,472						9,373,472
PUBLIC GUARDIAN	1,115,851						1,115,851
BEHAVIORAL HEALTH	185,423,229	234,247,731					419,670,960
CHILD SUPPORT SERVICES	39,988,504						39,988,504
HEALTH ADMINISTRATION	120,279,015	37,870,410					158,149,425
HUMAN SERVICES	1,088,938,995	13,197,829					1,102,136,824
PRESCHOOL SERVICES		50,196,486					50,196,486
PUBLIC HEALTH	105,632,156	7,907,802					113,539,958
VETERANS AFFAIRS	2,167,009						2,167,009
<b>TOTAL HUMAN SERVICES</b>	<b>1,552,918,231</b>	<b>343,420,258</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,896,338,489</b>
<b>LAW AND JUSTICE</b>							
COUNTY TRIAL COURTS	40,220,971	2,143,723					42,364,694
DISTRICT ATTORNEY	71,719,317	12,235,582					83,954,899
LAW AND JUSTICE GROUP ADMINISTRATION	90,208	3,858,223					3,948,431
PROBATION	146,321,121	38,912,629					185,233,750
PUBLIC DEFENDER	38,296,378						38,296,378
SHERIFF/CORONER/PUBLIC ADMINISTRATOR	550,174,453	26,320,499					576,494,952
<b>TOTAL LAW AND JUSTICE</b>	<b>846,822,448</b>	<b>83,470,656</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>930,293,104</b>
<b>OPERATIONS AND COMMUNITY SERVICES</b>							
AGRICULTURE/WEIGHTS AND MEASURES	6,918,980	145,698					7,064,678
AIRPORTS	2,958,485	8,263,383					11,221,868
ARCHITECTURE AND ENGINEERING	0						-
COMMUNITY SERVICES GROUP	270,000						270,000
COUNTY LIBRARY		23,299,626					23,299,626
COUNTY MUSEUM	3,252,267			67,874			3,320,141
LAND USE SERVICES	22,951,013						22,951,013
PUBLIC WORKS	3,243,549	157,088,454		92,418,864			252,750,867
REAL ESTATE SERVICES	41,055,389	16,497,817					57,553,206
REGIONAL PARKS	10,216,598	7,470,171		48,982			17,735,751
REGISTRAR OF VOTERS	9,205,388						9,205,388
<b>TOTAL OPERATIONS AND COMMUNITY SERVICES</b>	<b>100,071,669</b>	<b>212,765,149</b>	<b>0</b>	<b>92,535,720</b>	<b>0</b>	<b>0</b>	<b>405,372,538</b>
<b>CAPITAL IMPROVEMENT PROGRAM</b>							
CAPITAL IMPROVEMENT PROGRAM			183,148,204				183,148,204
<b>TOTAL CAPITAL IMPROVEMENT PROGRAM</b>	<b>0</b>	<b>0</b>	<b>183,148,204</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>183,148,204</b>
<b>OTHER FUNDING</b>							
ALL OTHER FUNDING (E.G. COUNTYWIDE DISCRETIONARY, PROP 172, REALIGNMENT)	312,765,513	1,390,289					314,155,802
<b>TOTAL OTHER FUNDING</b>	<b>312,765,513</b>	<b>1,390,289</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>314,155,802</b>
<b>SPECIAL DISTRICTS DEPARTMENT/</b>							
<b>AIRPORTS SPECIAL DISTRICT</b>							
SPECIAL DISTRICTS DEPARTMENT/							
AIRPORTS SPECIAL DISTRICT		43,992,120	13,672,662	69,870,118		1,608,065	129,142,965
<b>TOTAL SPECIAL DISTRICTS DEPARTMENT/</b>							
<b>AIRPORTS SPECIAL DISTRICT</b>	<b>0</b>	<b>43,992,120</b>	<b>13,672,662</b>	<b>69,870,118</b>	<b>0</b>	<b>1,608,065</b>	<b>129,142,965</b>
<b>FIRE PROTECTION DISTRICT</b>							
FIRE PROTECTION DISTRICT		195,561,729	473,447				196,035,176
<b>TOTAL FIRE PROTECTION DISTRICT</b>	<b>0</b>	<b>195,561,729</b>	<b>473,447</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>196,035,176</b>
<b>FLOOD CONTROL DISTRICT</b>							
FLOOD CONTROL DISTRICT		172,400,867			3,648,900		176,049,767
<b>TOTAL FLOOD CONTROL DISTRICT</b>	<b>0</b>	<b>172,400,867</b>	<b>0</b>	<b>0</b>	<b>3,648,900</b>	<b>0</b>	<b>176,049,767</b>
<b>OTHER AGENCIES</b>							
OTHER AGENCIES		13,209,272					13,209,272
<b>TOTAL OTHER AGENCIES</b>	<b>0</b>	<b>13,209,272</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,209,272</b>
<b>GRAND TOTAL*</b>	<b>2,942,053,358</b>	<b>1,151,526,320</b>	<b>221,295,580</b>	<b>692,214,676</b>	<b>238,826,536</b>	<b>1,608,065</b>	<b>5,247,524,535</b>

\* Requirements include contributions to Available Reserves in Special Revenue Funds and Capital Project Funds, funded with beginning fund balance.



**TOTAL REVENUE AND OTHER FUNDING SOURCES**

	Fiscal Year 2013-14 Actual Amount	Fiscal Year 2014-15 Adopted Budget	Fiscal Year 2014-15 Final Budget	Fiscal Year 2015-16 Adopted Budget	Change From Prior Year	Percent Change From Prior Year
<b>Revenue</b>						
Taxes	750,865,921	733,643,627	757,399,857	792,753,688	35,353,831	4.67%
1991 Realignment	199,674,448	209,149,972	264,266,516	272,517,138	8,250,622	3.12%
2011 Realignment	303,121,828	304,905,462	358,822,969	398,381,791	39,558,822	11.02%
State, Federal or Government Aid	1,465,959,580	1,573,072,710	1,552,142,698	1,551,552,319	(590,379)	-0.04%
Fee/Rate	952,964,908	893,328,166	898,789,065	923,554,858	24,765,793	2.76%
Other Revenue	139,686,784	122,895,072	163,832,754	122,268,881	(41,563,873)	-25.37%
<b>Total Revenue</b>	<b>3,812,273,470</b>	<b>3,836,995,009</b>	<b>3,995,253,859</b>	<b>4,061,028,675</b>	<b>65,774,816</b>	<b>1.65%</b>
<b>Other Funding Sources</b>						
Operating Transfers In	211,504,128	213,179,591	275,501,665	254,752,449	(20,749,216)	-7.53%
Use of Fund Balance/Unrestricted Net Position*	(10,968,542)	725,083,452	725,083,452	749,711,514	24,628,062	3.40%
General Fund Unassigned Fund Balance*	(5,153,174)	110,316,025	110,316,025	179,109,752	68,793,727	62.36%
Use of General Fund Reserves	0	5,636,537	54,929,063	2,922,144	(52,006,919)	-94.68%
<b>Total Other Funding Sources</b>	<b>195,382,413</b>	<b>1,054,215,605</b>	<b>1,165,830,205</b>	<b>1,186,495,860</b>	<b>20,665,655</b>	<b>1.77%</b>
<b>Total Revenue and Other Funding Sources</b>	<b>4,007,655,883</b>	<b>4,891,210,614</b>	<b>5,161,084,064</b>	<b>5,247,524,535</b>	<b>86,440,471</b>	<b>1.67%</b>

\* For 2013-14, the two Fund Balance/Net Position budget line items represent either the actual use of fund balance/net position (if positive amounts) or the actual increase to fund balance/net position (if negative amounts) throughout the fiscal year.

The revenue and other funding sources schedule above includes all County funds. This schedule includes operating transfers in, which are the mechanism for providing funding from one budget unit to another within the County. Additionally, this summary schedule provides the use of fund balance/unrestricted net position for all non-general funds, the general fund unassigned fund balance, as well as the use of general fund reserves. Descriptions of major sources of funding in the 2015-16 Adopted Budget and changes from the 2014-15 Final Budget are included below.

**Revenue**

**Taxes** of \$792.8 million consist of approximately \$515.1 million of Property Tax (\$491.2 million) and Sales/Other Taxes (\$23.9 million) that is deposited directly into the Countywide Discretionary General Fund budget unit for allocation by the Board of Supervisors. An additional \$106.0 million in Property Tax is reported for the County Library (\$14.4 million), Fire Protection District (\$42.0 million), Flood Control District (\$42.0 million), and Board Governed Districts managed by the Special Districts Department and Airports (\$7.5 million). Finally, Taxes also consist of Proposition 172 Half-Cent Sales Tax (\$164.8 million) and Sales Tax – Measure I Road Operations funds (\$6.4 million).

The net increase of \$35.4 million is primarily related to a \$18.5 million projected increase in Property taxes that are deposited into the Countywide Discretionary General Fund budget unit. This is the result of a projected 3.0% increase in the assessed valuation of properties within the County resulting in \$12.0 million additional property tax revenue and an additional \$6.0 million related to the dissolution of Redevelopment Agencies. Additionally, it is estimated that the Proposition 172 Half-Cent Sales Tax will increase by \$5.5 million in the upcoming fiscal year. For more detail on discretionary General Fund related taxes, refer to the Discretionary General Funding and Restricted Funds section of the 2015-16 Adopted Budget.

**1991 Realignment** revenues of \$272.5 million and **2011 Realignment** revenues of \$398.4 million are increasing over the prior year modified budget by \$8.3 million and \$39.6 million, respectively. Although technically not categorized as the receipt of taxes, this funding is received from the State and is primarily derived from sales taxes to pay for realigned law and justice, mental health, social services and health programs within the County. Because sales tax tends to be much more volatile and quicker to react to changes in the economy, its usage results in a higher risk of funding decreases in future years. These decreases will likely coincide with an economic downturn where there is an increased need for programs funded with this revenue. For more detail on



1991 Realignment funding, refer to the Discretionary General Funding and Restricted Funds section of the 2015-16 Adopted Budget.

**State, Federal, and Other Government Aid** represent the largest revenue source within the County totaling \$1.6 billion. The Human Services operational group receives the largest amount of funds from other governments, with \$335.0 million received from the State and \$641.3 million from the federal government. Countywide, there is an overall decrease of \$590,379 from the prior year final budget in this revenue category, which represents a decrease of 0.04%.

Notable changes within this revenue source include:

- **Human Services** is decreasing \$36.5 million within the Human Services Subsistence Units as the result of expenses within various subsistence programs transitioning from being State funded to Realignment funding.
- **ARMC** is increasing State, Federal and Other Governmental Aid by \$20.0 million due to increased acute care volume which is funded by these sources.
- **Special Districts** is increasing by \$4.7 million due to the continued commitment to invest in water infrastructure. The department is pursuing a grant for \$4.2 million from the State Water Board to pay for the design and construction of a pipeline, a 75,000 gallon water reservoir and a pump station in CSA 70 W-4.
- **Operations and Community Services** is decreasing this source by a net \$8.8 million primarily due to reductions in the Public Works - Transportation budget unit associated with decreased project reimbursements from the state, federal and other governmental agencies for recently completed projects, and a decrease in gas tax revenue.
- **Human Services Administrative Claim** is increasing State, Federal and Other Governmental Aid by \$20.0 million primarily due to increased funding for CalWORKs, Child Welfare Services and In Home Supportive Services.

**Fee/Rate** includes the following types of revenues: licenses, permits, fines, fees, rates, and other services. Total revenue of \$923.6 million is anticipated to increase from the 2014-15 Final Budget by \$24.8 million. Much of this funding (\$212.4 million) is received by departments, such as the Information Services Department and Risk Management Department, that provide direct services to other County Departments. Other notable departments that receive funding to provide specific services include the Sheriff's Department (\$135.3 million), which provides law enforcement services for 14 incorporated county cities, and Public Works Solid Waste Division (\$75.1 million) that is responsible for the operation and management of the County solid waste disposal system.

The following provides the most significant changes in this revenue category.

- **Administration** is increasing by a net \$19.6 million due to increases in Risk Management – Insurance Fund and Information Services. Increased Sources in Risk Management are due to additional premium allocations to the Law Enforcement Liability, General Liability, Auto Liability, and Workers' Compensation Programs to achieve the 80% confidence level of funding. Increased Sources in Information Services are due to service rate and customer utilization increases and cost recovery for customer enterprise licensing requirements previously reimbursed as transfers to ISD.
- **Law and Justice** is increasing sources by \$7.3 million due to additional charges to contract cities for the provision of law enforcement services. The increased funding for services is the result of increased risk management liabilities and increased retirement costs.
- **Fiscal** is increasing Sources in this category by \$4.6 million primarily due to the reclassification of Treasury Pool cost reimbursements being reclassified from Other Revenue into Fee/Rate revenue within the Auditor-Controller's General Fund budget unit.



- **Operations and Community Services** is increasing by \$3.7 million as the result of changes within the Solid Waste funds due to increases in gate fees through increased import tonnage and contracted COLA rate changes.
- **ARMC** is decreasing by \$3.9 million due to reductions in commercial and private pay sources.
- **Fire** is decreasing by \$2.9 million due to the termination of the Crest Forest service contract and the concurrent annexation action.

**Other Revenue** of \$122.3 million primarily includes interest earnings, rents and concessions, and tobacco settlement funds. This revenue source is anticipated to decrease by a net \$41.6 million over the prior year final budget. Notably, Economic Development – Community Development and Housing (CDH) and the Solid Waste Division are decreasing other revenue by \$23.4 and \$7.2 million, respectively. This is primarily due to the one-time transfer in of \$23.0 million in redevelopment bond funds from the Successor Agency to CDH in 2014-15 and the reduction of one time projects in Solid Waste which were budgeted in 2014-15 and have either been completed or will not be funded at the same level in 2015-16.

### Other Funding Sources

**Operating Transfers In** of \$254.8 million is a funding source that provides a mechanism to transfer funding from one budget unit to another within the County. Two of the most notable groups with large Operating Transfers In include the Capital Improvement Program (\$88.5 million) and the Countywide Discretionary General Fund budget unit (\$29.0 million). Operating Transfers In are the main funding source for the Capital Improvement Program as the program is funded primarily through monies received from other County Departments and the County General Fund for specific projects. The Countywide Discretionary General Fund budget unit receives this funding primarily from the County's Master Settlement Agreement fund, which transfers revenues received from a settlement with the tobacco industry, which in turn is used by the General Fund to pay for a portion of debt service on the Arrowhead Regional Medical Center facility, increased health care costs within the Department of Public Health, and a realignment local match requirement.

The net decrease in this funding source of \$20.7 million is primarily the result of a one-time reduction in Transfers In from the County General Fund to County Fire.

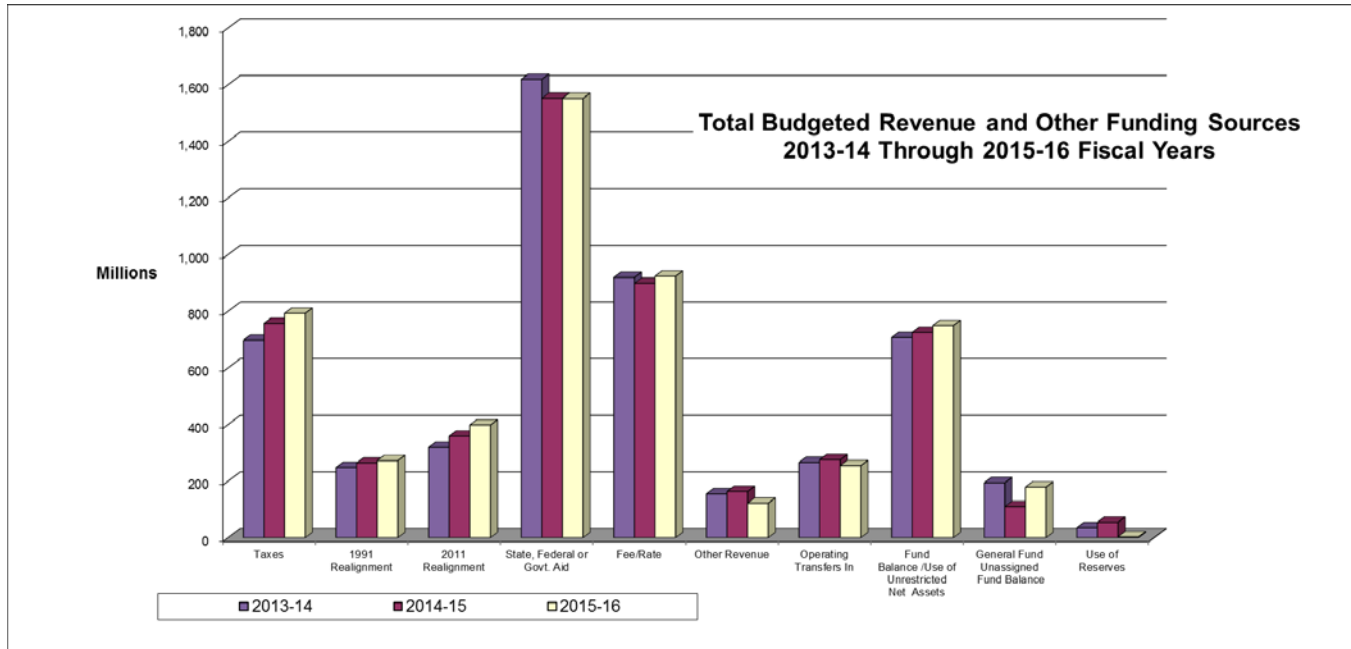
**Use of Fund Balance/Unrestricted Net Position** of \$749.7 million represents unspent funds carried over from 2014-15 that are available to be budgeted for all Restricted, Special Revenue and Capital Improvement funds in the County and the use of unrestricted net position that is available in Internal Service and Enterprise funds. The amount of fund balance/net position available for appropriation is increasing over the prior year by only 3.4%, or \$24.6 million. Approximately \$359.4 million of fund balance is contributed to reserves.

**General Fund Unassigned Fund Balance** of \$179.1 million represents unspent general fund balance carried over from 2014-15. Of this amount, \$68.5 million is to be contributed to a variety of specific purpose reserves in the General Fund and \$9.5 million is to fund the County's mandatory 1.5% contingency, which per Board Policy 05-01 is in the general fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting County operations that could not have been reasonably anticipated. General Fund Available Unassigned Fund Balance is increasing by \$68.8 million from the prior year.

**Use of Reserves** of \$2.9 million represents the use of General Fund Reserves set aside for the County General Plan Update (\$0.3 million), Permit System Upgrades (\$0.2 million), the CalFresh Waiver Discontinuance (\$1.3 million), the Rimforest Drainage Project (\$0.8 million) and the District Attorney Courthouse Remodel Project (\$0.3 million). This represents a decrease of \$52.0 million from the 2014-15 Final Budget and is detailed in the Discretionary General Funding and Restricted Funds section of this budget document.

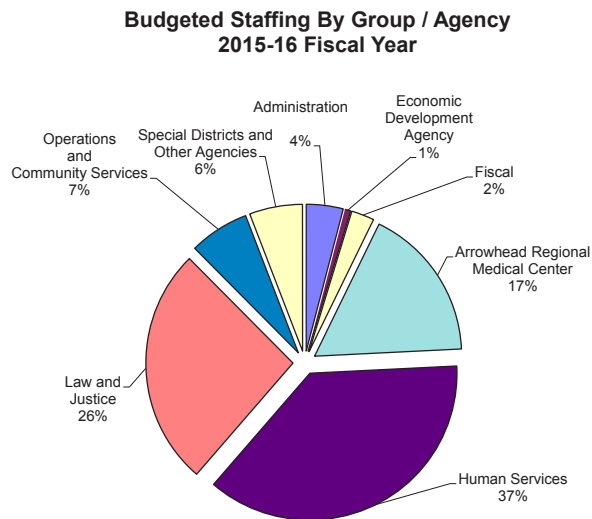


The bar graph below includes total budgeted revenue and other funding sources from the 2013-14 Final Budget to the 2015-16 Adopted Budget. 2013-14 amounts will not match previous information on prior pages because the bar graph below reports on budgeted revenue and amounts in the previous tables reflect actual revenue received.



## BUDGETED STAFFING SUMMARY

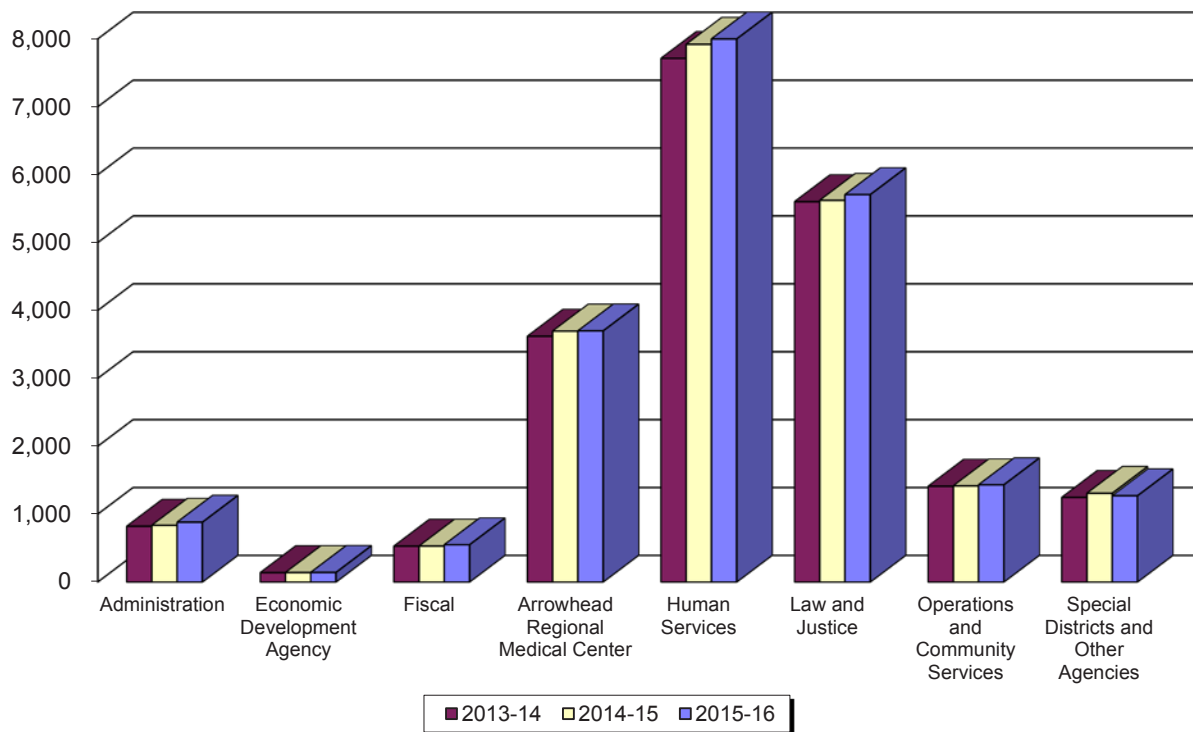
Budgeted staffing is accounted for using headcount; each position, whether full time or part time, is counted as one. The pie chart below depicts the budgeted staffing by group/agency for the 2015-16 fiscal year. The following bar graph illustrates the budgeted staffing for the 2015-16 fiscal year as well as the prior two fiscal years.



Percentages may not add to 100% due to rounding.



### Budgeted Staffing By Group / Agency 2013-14 Through 2015-16 Fiscal Years



	2014-15 Final Budget Staffing	Change from Final Budget			2015-16 Adopted Budget Staffing	Percentage Change
		Caseload Driven/ Grant or Special Funded Programs	All Other Programs	Total Change		
County - General Fund	13,852	201	62	263	14,115	1.9%
County - Other Funds	6,307	62	1	63	6,370	1.0%
Special Districts and Other Agencies	1,307	(37)	-	(37)	1,270	(2.8%)
<b>Total</b>	<b>21,466</b>	<b>226</b>	<b>63</b>	<b>289</b>	<b>21,755</b>	

Budgeted staffing for caseload driven/grant, or special funded programs, increased overall by a net 226 positions. Significant changes from the previous year's final budgeted staffing in caseload driven, grant or special funded programs include the following:

#### County - General Fund

- **Human Services Administrative Claim** is requesting a net increase of 28 budgeted positions. The net increase is primarily the result of an additional 66 positions in the Children and Family Services Department (CFS) and Department of Aging and Adult Services (DAAS). CFS is adding a total of 66 positions primarily due to Board action on January 27, 2015 (Item No. 29) which added sixty-five (65) CFS Senior Social Service Practitioners (Sr. SSP). The Sr. SSPs will assist with the oversight, mentoring, and training of line staff and allow the supervisory staff to focus on the administrative functions of their role, which is to ensure adherence to Federal, State,



Departmental and Juvenile Court mandates for caseloads comprised of children and young adults ages 0 to 21. The addition of the 65 positions appears as a budgetary increase in 2015-16 since the Board action occurred after the reporting period from which the 2014-15 final staffing figures are based upon. DAAS is increasing 13 positions to increase staffing to improve service delivery in response to a 10% increase in caseload which is related to the implementation of the Coordinated Care Initiative. These increases are offset by the deletion of 51 positions within the Transitional Assistance Department due to the reduction of enhanced state CalFresh Administration funding, which is due to the elimination of the CalFresh waiver that allowed Counties to draw down additional State and Federal funding without additional matching funds from the County.

- **Behavioral Health** is requesting a net budgeted staffing increase of 65 positions between the Behavioral Health and Alcohol and Drug Services budget units. This is primarily due to the anticipated increase in demand for Correctional Mental Health, Mental Health Clinic and Alcohol and Drug Services related to CalWORKs Lifeskills program requirements and the Transitional Assistance Family Stabilization program established in 2014-15.
- **Public Health** is requesting a net increase of 16 budgeted positions. This increase is necessary primarily to address additional grant funding (11 positions) and quality improvement and compliance efforts (4 positions related to accreditation, 2 related to compliance), and other staffing changes to increase efficiency in operations.
- **Public Health – California Children’s Services** is requesting to increase budgeted staffing by 5 positions. This division of the Department of Public Health is a state program that provides case management, diagnosis and treatment services to individuals up to 21 years old with severe qualifying medical conditions and whose families are unable to pay for all or part of the care. The increased clinical and clerical staffing is necessary to address state mandated staffing requirements based on active caseload. Providing proactive medical case management contributes to better care and cost effective efficiencies.
- **Probation – Administration, Correction, Detention** recommends the addition of 43 positions which are the result of Board action on May 19, 2015 (Item No. 84) which authorizes the addition of said positions to expand the current SB 678 supervision program to a level commensurate with confirmed funding. Probation believes that this increase in budgeted staffing will continue to reduce the number of County commitments to state prison. The addition of the 43 positions appears as a budgetary increase in 2015-16 since the Board action occurred after the reporting period from which the 2014-15 final staffing figures are based upon.
- **Public Defender** is requesting an increase of 15 positions in order to assign staff to local school board attendance hearings, respond to increases in caseload associated with the passage of Proposition 47, and to address staffing needs for the department’s case file imaging project.
- **Sheriff’s Department – Detentions** – The Sheriff’s Department is requesting the increase of 18 positions within its Detentions budget unit, of which 15 are funded with additional projected AB 109 funding and are necessary to provide for higher levels of inmate health screening and additional oversight at the jails.

#### **County - Other Funds**

- **The Department of Behavioral Health – Mental Health Services Act** budget unit is increasing by a net 29 positions. This increase will allow the department to meet the increasing demands for mental health services in Adult System of Care and to also improve programmatic oversight, IT Support for a new billing system and administrative support.
- **Preschool Services** is recommending the addition of 14 budgeted positions, which will enable the Department to staff the additional classrooms at the Fontana Citrus Head Start site and reduce the child to adult ratio in the early Head Start program.



### **Special Districts and Other Agencies**

- **Fire Protection District** is recommending a net decrease of 38 budgeted positions. This is primarily due to the deletion of vacant paid call and limited term firefighter positions. These positions are being deleted because they are difficult to fill. These deletions will have no impact on operations. Other notable changes include the addition of 30 Firefighter Trainee positions to improve recruitment efforts, the elimination of 11 positions due to reduced contract services for the Hesperia Fire Protection District and the City of Victorville, the addition of 2 positions to increase supervision of the Inmate Hand Crew program and the addition of 30 new positions (15 Ambulance Operator-Paramedics and 15 Ambulance Operator-Emergency Medical Technicians) for the contract with the Hesperia Fire Protection District which are being offset by the deletion of 30 limited-term firefighter positions.

Budgeted staffing for all other programs increased a net 63 budgeted positions. Significant changes from the previous year's final budgeted staffing in all other programs include the following:

- **Administration** - Budgeted staffing within the Administrative Budget Group is increasing by a total of 45 positions. Significant changes within the group include increases in County Administrative Office (CAO) – Automated Systems Development (12), County Counsel (5), Human Resources (9), Fleet Management (6) and Information Services (7). CAO - Automated Systems Development is adding 12 positions in order to prepare for the launch of the financial accounting system upgrade project. County Counsel is increased by 5 positions due to the increased caseload associated with the opening of a new Juvenile Dependency Courtroom. Human Resources is increasing by 9 budgeted positions to address increased workload associated with employee relations, recruitment, negotiations, and certification. Fleet is adding 6 budgeted positions (3 regular and 3 limited term) to oversee new service centers within the department as well as to meet seasonal staffing needs. Information Services is increasing by 7 budgeted positions across the department's various budget units in order to respond to increased demand for infrastructure, enterprise server, desktop support, telecommunications, radio repair/installation and warehouse services.
- **Fiscal** – The Fiscal Group is increasing budgeted staffing by a total of 20 positions due to additions within the Assessor/Recorder/County Clerk (2) and Auditor-Controller/Treasurer/Tax Collector (18). The Assessor/Recorder/County Clerk is adding 2 limited term positions to enhance public assistance in the information booth at the Hall of Records and to assist with special projects to enhance Recording services. The Auditor-Controller is adding 18 new positions to increase efficiencies within the department in Central Collections, Information Technology, Tax Collection, Auditor and Disbursements. Eight of the new positions in Auditor-Controller are funded by an increase in ongoing Net County Cost in an effort to increase services levels in Accounts Payables, Internal Audits and Tax Collection.
- **Operations and Community Services** – The Operations and Community Services Group is increasing staffing by a net of 15 positions. Significant changes within this group include an increase within Registrar of Voters (36) and a decrease in Regional Parks (25). Registrar of Voters is increasing budgeted staffing by 36 positions primarily due to the addition of 35 new limited term positions which are requested in an effort to reduce costly temporary help agency expenditures during peak workload seasons, saving the County over \$150,000 in 2015-16. Regional Parks is decreasing budgeted staffing by 25 positions. Of this total, 7 positions are being deleted at Mojave Narrows Regional Park. The result of this action is a reduction in the number of days per week (from 7 to 5) that the Park will be open to the public. The remaining decrease in budgeted staffing, which includes the deletion of 17 part-time or limited-term vacant positions, should have little or no impact on department operations.

Countywide staffing changes are outlined by County department in the following chart:



## BUDGETED STAFFING SUMMARY

Department	2013-14 Final Budget	2014-15 Final Budget	2015-16 Adopted Budget	Change Between 2014-15 & 2015-16
<b>ADMINISTRATION</b>				
<b><u>GENERAL FUND</u></b>				
BOARD OF SUPERVISORS	44	48	51	3
CLERK OF THE BOARD	15	14	13	(1)
COUNTY ADMINISTRATIVE OFFICE	17	17	17	-
COUNTY ADMINISTRATIVE OFFICE - AUTOMATED SYSTEMS DEVELOPMENT	-	-	12	12
COUNTY COUNSEL	85	86	91	5
FINANCE AND ADMINISTRATION	15	18	20	2
HUMAN RESOURCES	79	79	88	9
HUMAN RESOURCES - CENTER FOR EMPLOYEE HEALTH AND WELLNESS	12	12	12	-
INFORMATION SERVICES	100	13	15	2
PURCHASING	20	23	24	1
<b>SUBTOTAL GENERAL FUND</b>	<b>387</b>	<b>310</b>	<b>343</b>	<b>33</b>
<b><u>OTHER FUNDS</u></b>				
FLEET MANAGEMENT	87	87	93	6
HUMAN RESOURCES - COMMUTER SERVICES	3	3	3	-
HUMAN RESOURCES - EMPLOYEE BENEFITS AND SERVICES	30	31	31	-
INFORMATION SERVICES - APPLICATION DEVELOPMENT	-	87	88	1
INFORMATION SERVICES - COMPUTER OPERATIONS	117	120	122	2
INFORMATION SERVICES - TELECOMMUNICATIONS SERVICES	96	98	100	2
PURCHASING - PRINTING SERVICES	15	15	15	-
PURCHASING - SURPLUS PROPERTY AND STORAGE OPERATIONS	2	3	4	1
PURCHASING - MAIL/COURIER SERVICES	25	25	24	(1)
RISK MANAGEMENT - OPERATIONS	59	57	58	1
<b>SUBTOTAL OTHER FUNDS</b>	<b>434</b>	<b>526</b>	<b>538</b>	<b>12</b>
<b>TOTAL ADMINISTRATION</b>	<b>821</b>	<b>836</b>	<b>881</b>	<b>45</b>
<b>ARROWHEAD REGIONAL MEDICAL CENTER</b>				
<b><u>OTHER FUNDS</u></b>				
ARROWHEAD REGIONAL MEDICAL CENTER	3,621	3,696	3,699	3
<b>TOTAL ARROWHEAD REGIONAL MEDICAL CENTER</b>	<b>3,621</b>	<b>3,696</b>	<b>3,699</b>	<b>3</b>
<b>ECONOMIC DEVELOPMENT AGENCY</b>				
<b><u>GENERAL FUND</u></b>				
ECONOMIC DEVELOPMENT	13	10	11	1
<b><u>OTHER FUNDS</u></b>				
COMMUNITY DEVELOPMENT AND HOUSING	21	24	24	-
WORKFORCE DEVELOPMENT	104	105	106	1
<b>SUBTOTAL OTHER FUNDS</b>	<b>125</b>	<b>129</b>	<b>130</b>	<b>1</b>
<b>TOTAL ECONOMIC DEVELOPMENT AGENCY</b>	<b>138</b>	<b>139</b>	<b>141</b>	<b>2</b>



## BUDGETED STAFFING SUMMARY

Department	2013-14 Final Budget	2014-15 Final Budget	2015-16 Adopted Budget	Change Between 2014-15 & 2015-16
<b>FISCAL</b>				
<b><u>GENERAL FUND</u></b>				
ASSESSOR/RECORDER/COUNTY CLERK	222	222	224	2
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	295	297	315	18
<b>SUBTOTAL GENERAL FUND</b>	<b>517</b>	<b>519</b>	<b>539</b>	<b>20</b>
<b><u>OTHER FUNDS</u></b>				
ASSESSOR/RECORDER/COUNTY CLERK - SPECIAL REVENUE FUNDS	11	10	10	-
<b>SUBTOTAL OTHER FUNDS</b>	<b>11</b>	<b>10</b>	<b>10</b>	<b>-</b>
<b>TOTAL FISCAL</b>	<b>528</b>	<b>529</b>	<b>549</b>	<b>20</b>
<b>HUMAN SERVICES</b>				
<b><u>GENERAL FUND</u></b>				
AGING AND ADULT SERVICES - AGING PROGRAMS	43	38	39	1
AGING AND ADULT SERVICES - PUBLIC GUARDIAN - CONSERVATOR	19	19	21	2
CHILD SUPPORT SERVICES	434	431	428	(3)
HEALTH ADMINISTRATION	2	1	1	-
BEHAVIORAL HEALTH	564	513	563	50
BEHAVIORAL HEALTH - ALCOHOL AND DRUG	-	75	90	15
PUBLIC HEALTH	713	715	731	16
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	166	174	179	5
HUMAN SERVICES - ADMINISTRATIVE CLAIM	4,612	4,707	4,735	28
VETERANS AFFAIRS	22	22	22	-
<b>SUBTOTAL GENERAL FUND</b>	<b>6,575</b>	<b>6,695</b>	<b>6,809</b>	<b>114</b>
<b><u>OTHER FUNDS</u></b>				
HUMAN SERVICES - WRAPAROUND REINVESTMENT FUND	6	1	-	(1)
BEHAVIORAL HEALTH - MENTAL HEALTH SERVICE ACT	459	517	546	29
PRESCHOOL SERVICES	674	707	721	14
<b>SUBTOTAL OTHER FUNDS</b>	<b>1,139</b>	<b>1,225</b>	<b>1,267</b>	<b>42</b>
<b>TOTAL HUMAN SERVICES</b>	<b>7,714</b>	<b>7,920</b>	<b>8,076</b>	<b>156</b>
<b>LAW AND JUSTICE</b>				
<b><u>GENERAL FUND</u></b>				
DISTRICT ATTORNEY - CRIMINAL PROSECUTION	488	503	507	4
LAW AND JUSTICE GROUP ADMINISTRATION	1	1	1	-
PROBATION - ADMINISTRATION, CORRECTIONS & DETENTION	1,188	1,183	1,226	43
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	39	39	47	8
PUBLIC DEFENDER	243	247	262	15
SHERIFF/CORONER/PUBLIC ADMINISTRATOR	1,686	1,698	1,696	(2)
SHERIFF - DETENTIONS	1,385	1,373	1,391	18
SHERIFF - LAW ENFORCEMENT CONTRACTS	573	578	577	(1)
<b>SUBTOTAL GENERAL FUND</b>	<b>5,603</b>	<b>5,622</b>	<b>5,707</b>	<b>85</b>
<b><u>OTHER FUNDS</u></b>				
SHERIFF/CORONER/PUBLIC ADMINISTRATOR - PUBLIC GATHERINGS	-	-	-	-
<b>SUBTOTAL OTHER FUNDS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LAW AND JUSTICE</b>	<b>5,603</b>	<b>5,622</b>	<b>5,707</b>	<b>85</b>



## BUDGETED STAFFING SUMMARY

Department	2013-14 Final Budget	2014-15 Final Budget	2015-16 Adopted Budget	Change Between 2014-15 & 2015-16
<b>OPERATIONS AND COMMUNITY SERVICES</b>				
<b><u>GENERAL FUND</u></b>				
AGRICULTURE/WEIGHTS AND MEASURES	63	64	64	-
AIRPORTS	20	20	20	-
ARCHITECTURE AND ENGINEERING	21	22	22	-
COMMUNITY SERVICES GROUP	-	-	1	1
COUNTY MUSEUM	22	21	21	-
LAND USE SERVICES - ADMINISTRATION	37	36	38	2
LAND USE SERVICES - LAND DEVELOPMENT	8	8	8	-
LAND USE SERVICES - PLANNING	26	31	31	-
LAND USE SERVICES - BUILDING AND SAFETY	21	23	21	(2)
LAND USE SERVICES - CODE ENFORCEMENT	28	30	33	3
LAND USE SERVICES - FIRE HAZARD ABATEMENT	15	17	14	(3)
PUBLIC WORKS - SURVEYOR	25	25	22	(3)
REAL ESTATE SERVICES (RES)	23	26	24	(2)
RES - FACILITIES MANAGEMENT DIVISION	110	102	107	5
RES - UTILITIES	2	2	2	-
REGIONAL PARKS	252	232	205	(27)
REGISTRAR OF VOTERS	27	37	73	36
<b>SUBTOTAL GENERAL FUND</b>	<b>700</b>	<b>696</b>	<b>706</b>	<b>10</b>
<b><u>OTHER FUNDS</u></b>				
COUNTY LIBRARY	279	291	293	2
COUNTY MUSEUM - MUSEUM STORE	1	2	2	-
PUBLIC WORKS - TRANSPORTATION - ROAD OPERATIONS	345	341	339	(2)
PUBLIC WORKS - SOLID WASTE MANAGEMENT - OPERATIONS	82	83	86	3
REGIONAL PARKS - ENTERPRISE FUNDS	4	4	6	2
REGIONAL PARKS - SPECIAL REVENUE FUNDS	-	-	-	-
<b>SUBTOTAL OTHER FUNDS</b>	<b>711</b>	<b>721</b>	<b>726</b>	<b>5</b>
<b>TOTAL OPERATIONS AND COMMUNITY SERVICES</b>	<b>1,411</b>	<b>1,417</b>	<b>1,432</b>	<b>15</b>
<b>TOTAL COUNTY DEPARTMENTS - GENERAL FUND</b>	<b>13,795</b>	<b>13,852</b>	<b>14,115</b>	<b>263</b>
<b>TOTAL COUNTY DEPARTMENTS - OTHER FUNDS</b>	<b>6,041</b>	<b>6,307</b>	<b>6,370</b>	<b>63</b>
<b>COUNTY DEPARTMENTS GRAND TOTAL</b>	<b>19,836</b>	<b>20,159</b>	<b>20,485</b>	<b>326</b>
<b>SPECIAL DISTRICTS AND OTHER AGENCIES</b>				
<b><u>OTHER FUNDS</u></b>				
SPECIAL DISTRICTS DEPARTMENT	185	188	181	(7)
FIRE PROTECTION DISTRICT	871	911	873	(38)
FLOOD CONTROL DISTRICT	150	162	166	4
OTHER AGENCIES	40	46	50	4
<b>SUBTOTAL OTHER FUNDS</b>	<b>1,246</b>	<b>1,307</b>	<b>1,270</b>	<b>(37)</b>
<b>TOTAL SPECIAL DISTRICTS AND OTHER AGENCIES</b>	<b>1,246</b>	<b>1,307</b>	<b>1,270</b>	<b>(37)</b>
<b>TOTAL ALL COUNTY ENTITIES</b>	<b>21,082</b>	<b>21,466</b>	<b>21,755</b>	<b>289</b>



## **CAPITAL IMPROVEMENT PROGRAM**

The County budget summary includes requirements for Capital Improvement Projects. Below find summary information on the types and costs of projects budgeted in 2015-16.

### Projects Administered by Architecture and Engineering

#### **CAPITAL PROJECTS FUNDS SUMMARY**

	Fund CJP	Fund CJV	Sub-Total	ARMC Capital Fund CJE	Total
<b>Requirements</b>					
Services and Supplies	31,749		31,749		31,749
Contributions to Non-Owned Projects			-		-
Land	2,200,000		2,200,000		2,200,000
Improvements to Land	14,519,836		14,519,836	985,851	15,505,687
Structures and Improvements	176,269,900	1,319,924	177,589,824	4,082,812	181,672,636
Salaries and Benefits Transfers Out	5,000		5,000		5,000
Fixed Assets Transfers Out	784,621		784,621		784,621
<i>Total Requirements</i>	<b>193,811,106</b>	<b>1,319,924</b>	<b>195,131,030</b>	<b>5,068,663</b>	<b>200,199,693</b>

Note: The above appropriation excludes operating transfers out and reimbursements.

The Architecture and Engineering Department manages major county projects which include construction and rehabilitation of facilities, and repair projects. The 2015-16 budgets for these projects are summarized in the schedule above. The schedule above does not include operating transfers out or reimbursements as part of total requirements. Instead, the schedule represents total budgeted project costs.

Architecture and Engineering projects include \$195.1 million in projects managed through Capital Funds and \$5.1 million in projects managed through Arrowhead Regional Medical Center Enterprise Funds, for a total project budget of \$200.2 million.

The 2015-16 Adopted Budget includes \$72.9 million in new project funding. This consists of \$60.5 million in Discretionary General Funding and \$12.4 million in other funding. The majority of this funding is allocated to the 800Mhz Upgrade Project (\$26.4 million) the County Buildings Acquisition Project and Retrofit Project (\$11.2 million) and \$6.0 million for various Sheriff facility improvements. Additionally \$12.0 million in new project funding is allocated to non-major CIP and maintenance projects.

Projects approved in prior years but not yet completed have carryover balances of \$127.3 million. The major multi-year projects with carryover balances are the 800 MHz Upgrade Project, the County Buildings Acquisition and Retrofit Project, the Sheriff's Crime Lab Expansion, and the Sheriff's Aviation Relocation from Rialto Airport to San Bernardino International Airport.

### Projects Administered by Other County Departments

Transportation and Solid Waste projects are administered by the Department of Public Works. Requirements for these projects are accounted for in special revenue funds and budgeted in the respective department(s) budgets. Budgets for both the Transportation and Solid Waste departments are found in the Operations and Community Services section of this budget book. Total projects budgeted in 2015-16 (both new and carryover) for Transportation is \$49.6 million, and for Solid Waste is \$11.6 million. Transportation project types include major



rehabilitation and overlay, surface chip and seal, and major infrastructure improvements. Solid Waste Management project types include closure construction, liner construction, land acquisition, and construction of landfill gas extraction systems.

The Department of Airports also administers Capital Improvement Projects which are budgeted in various special revenue funds and are included in the department's budget pages. For 2015-16, projects administered by Airports total \$0.3 million.

For a complete listing of capital improvement program highlights for projects administered by other county departments see the Capital Improvement Program Section of this budget book.

#### Projects Administered by Flood Control and Special Districts Department

The Flood Control District and the Special Districts Department have independent multi-year capital improvement project plans that are budgeted in special revenue funds, capital projects funds, and enterprise funds and are included in the respective department's budget pages.

Flood Control, found in the Operations and Community Services section of this budget book, has twenty-three major improvement projects budgeted in 2015-16. Requirements for these projects (both new and carryover) total \$61.9 million and includes costs associated with right of way acquisition expenses, consultants for design or geotechnical services, labor and construction.

Special Districts Department capital projects are found in the Special Districts Department section of this budget book, in the Capital Improvement Program pages. In 2015-16 total Requirements for these projects (both new and carryover) total \$33.4 million. Projects include \$3.9 million for design and construction of Snowdrop Road (General Districts) in the Rancho Cucamonga area, \$7.1 million for the design and construction of a new site for the relocation of the Big Bear Alpine Zoo, \$4.3 million for water system improvements at CSA 70 Cedar Glen, and a \$4.3 million project for design and construction of a water pipeline, reservoir and pump station at CSA 70 W-4 Pioneertown.



### **DISCRETIONARY GENERAL FUNDING AND RESTRICTED FUNDS**

County General Fund operations of \$2.9 billion are funded with four major types of sources: countywide discretionary revenue (\$827.5 million), Proposition 172 revenue (\$164.8 million), 1991 and 2011 Realignment revenues (\$669.1 million), and departmental revenue (\$1.2 billion).

- Countywide discretionary revenue includes a variety of revenue sources that are not legally designated for a specific purpose or program. The majority of discretionary revenue is property related revenue, primarily property tax. Other revenue sources in this category include: sales and other taxes, net interest earnings, Countywide Cost Allocation Plan (COWCAP) revenue, which is a reimbursement for overhead/indirect costs incurred by the General Fund, property tax administration revenues, recording fees, other State and federal aid, and other revenue. Additionally, the General Fund's available fund balance, use of reserves and operating transfers in, are other funding sources that may be allocated to General Fund departments in the same manner as countywide discretionary revenue.
- Proposition 172 revenue is a permanent extension of a half-cent Local Public Safety Sales Tax approved by California voters on November 2, 1993. Proceeds of this sales tax must be dedicated to public safety. Proposition 172 revenue is restricted and is used solely for funding the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments.
- 1991 Realignment revenue provides health and welfare funding. In 1991-92, the State approved the Health and Welfare Realignment Program that involved a shift of program responsibilities from the State to the County. This shift is funded through a corresponding shift of dedicated sales tax and vehicle license fee revenue. Realignment revenue is also restricted and used in funding mental health, social services and health programs within the County.
- 2011 Realignment revenue provides public safety, health, and welfare funding. In 2011-12, the State approved what has become known as AB 109 Public Safety Realignment. As part of this realignment, the State addressed prison over-crowding by shifting custodial responsibility of non-violent, non-sex, and non-sex-against-children ('Triple-Nons') offenders to local jails. In addition, the parole function of the State was delegated to county Probation departments. In conjunction with Public Safety Realignment, the State also shifted full financial burden of many social service and mental health programs. The County was responsible for delivery of these programs before realignment, but with the shift the State would no longer contribute a share of cost. While the State no longer shares in the cost, it has dedicated a portion of the State sales tax (1.0625%) revenue along with a portion of vehicle license fees for these realigned programs.
- Departmental revenue includes fees, service charges, and State and federal support for programs such as welfare, health care, and mental health.

County General Fund operations not funded by departmental revenue, Proposition 172 revenue, and/or Realignment revenue are funded by Net County Cost (or Discretionary General Funding). Net County Cost is funded by countywide discretionary revenue, which is primarily property tax revenue.

Any countywide discretionary revenue not distributed to departments through their Net County Cost allocation, if not transferred to other funds for specific projects/programs, is contributed to contingencies or reserves. Every year the County of San Bernardino has set aside a prudent dollar amount in contingencies and reserves for two purposes: 1) to ensure that the County can accommodate unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the County; and 2) to be proactive by setting aside funds to meet future known obligations or to build reserves for large capital projects.

The following sections provide details of:

- The economic indicators that are factored into the County's fiscal plan.
- How economic indicators and other factors affect countywide discretionary revenue.
- How Discretionary General Funding (Net County Cost) has been allocated for the fiscal year.
- Information on General Fund contingencies and reserves.
- How economic indicators and other factors affect Proposition 172 revenue and Realignment revenue.

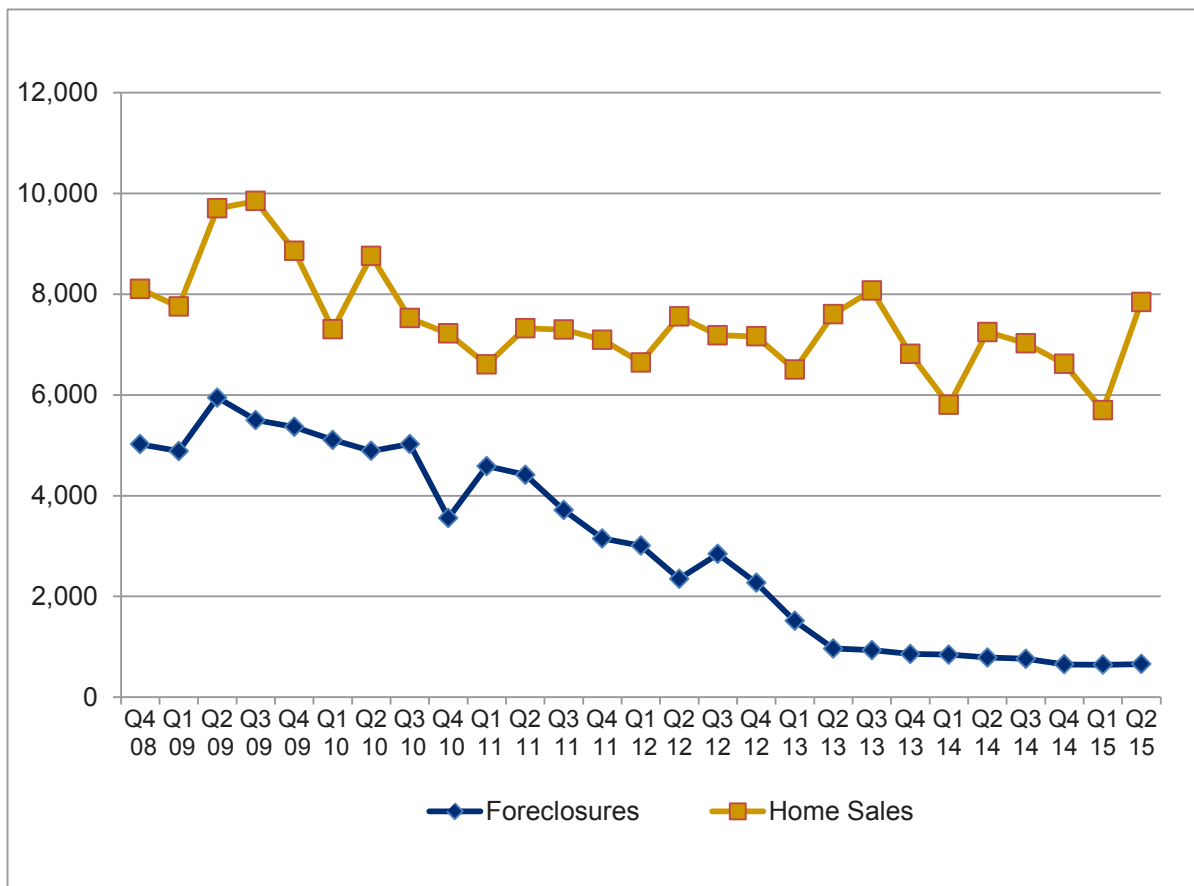


- The County Restricted General Fund – Automated Systems Development budget unit.

### **ECONOMIC INDICATORS**

Property related revenue accounts for 59.4 percent of the County's discretionary revenue and other funding sources. These revenues were severely impacted by the mortgage and financial crisis, which also had a significant effect on the housing market within the County. During this crisis, home values plummeted while foreclosures and notices of default skyrocketed. Assessed valuation was negatively affected both by homes selling at prices lower than their current assessed valuation, and by Proposition 8 reassessments, which lowered valuations of properties (where no change in ownership has occurred) when the current assessed value of such property was greater than the fair market value of the property. However, as shown in the chart below, foreclosures have declined, from their peak of 7,899 experienced in the third quarter of 2008, down to 657 in the second quarter of 2015. In addition, as shown in the chart on the next page, the median home prices are rising.

**COUNTY OF SAN BERNARDINO  
FORECLOSURES/HOME SALES BY QUARTER  
QUARTER 4 2008 THROUGH QUARTER 2 2015**

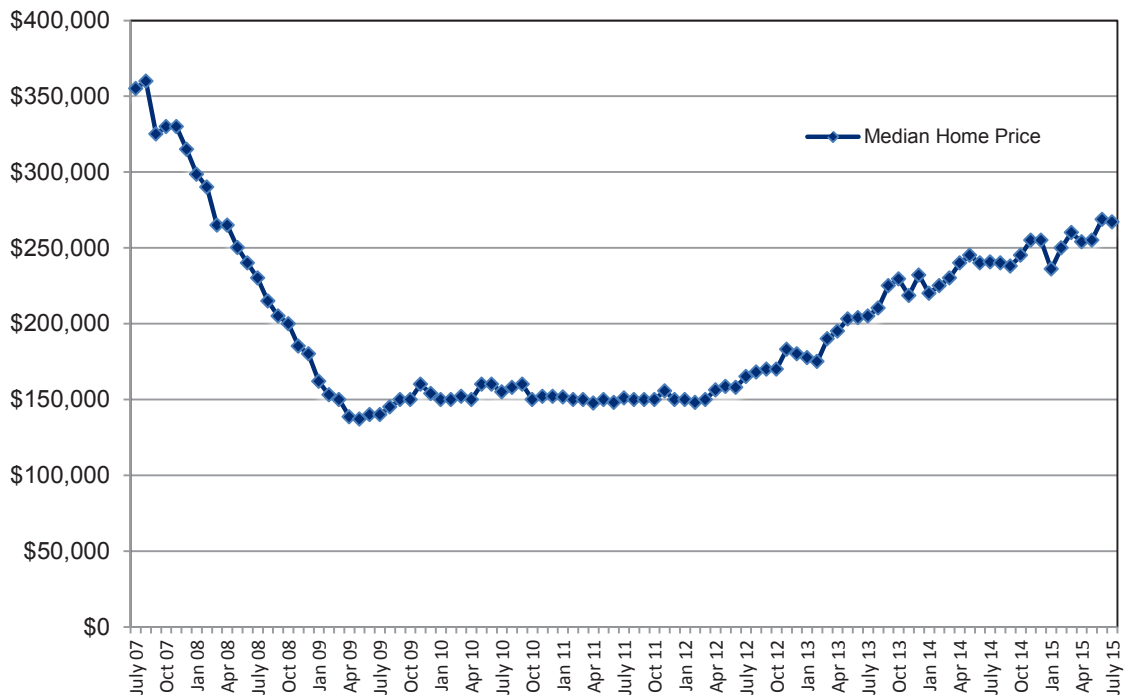


Source: County Assessor and CoreLogic/Dataquick



2014 foreclosures were down 28.5% from 2013, and for the second quarter of 2015 are down by 16.4%. 2014 Notices of Default were down by 15.7% from the prior year, and for the second quarter of 2015 are down 7.6%. As foreclosures decline, the County continues to see a rise in the median price of a home. The chart below shows the fluctuation in the median price over the past eight years. Prior to the steady increase that began in November of 2012, the median price had been stable at approximately \$150,000 for the 34 month period between September 2009 and June 2012. As of July 2015, the County's median home price has risen to \$267,000.

**COUNTY OF SAN BERNARDINO  
MEDIAN HOME PRICE BY MONTH  
JULY 2007 THROUGH JULY 2015**

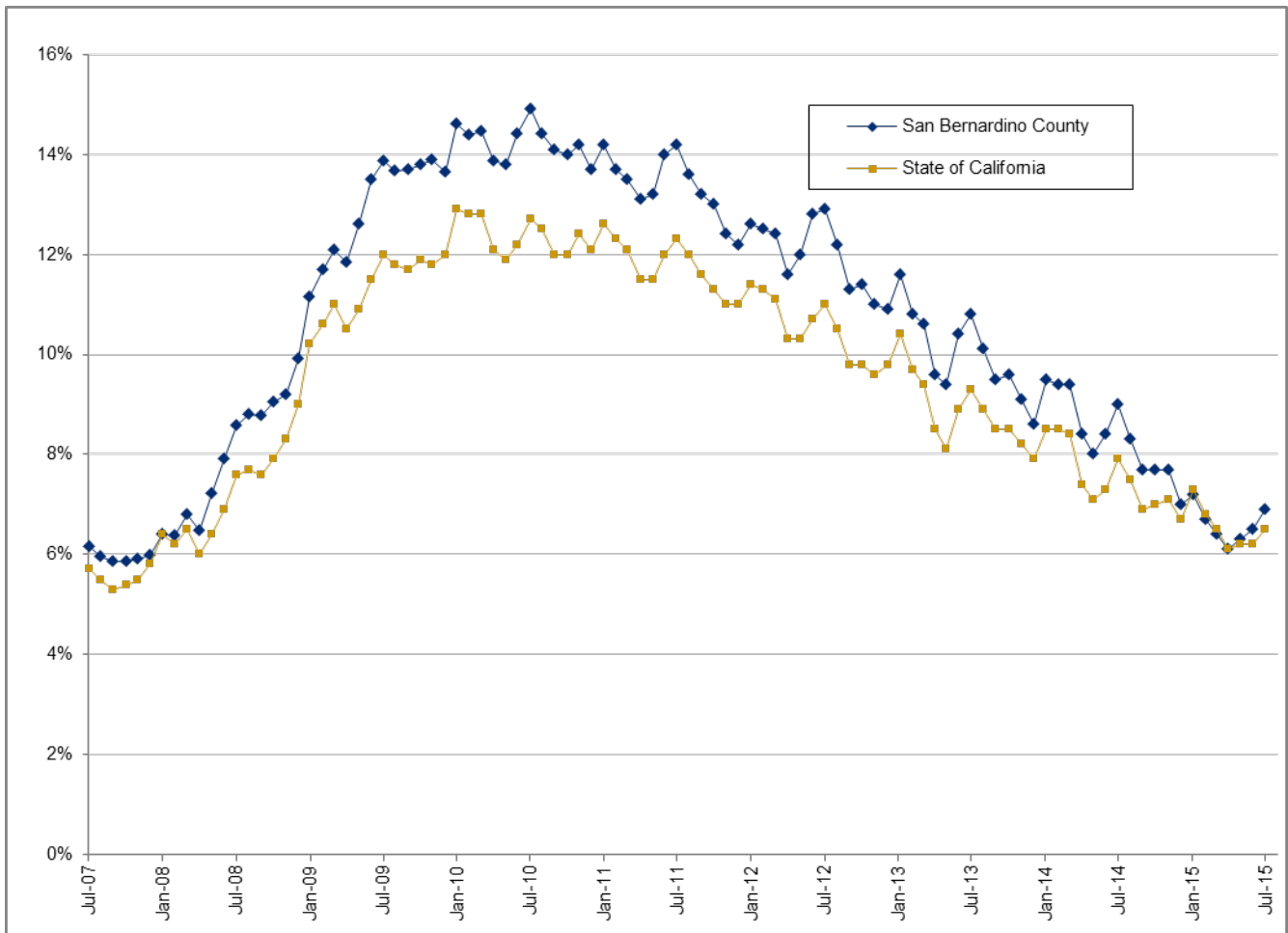


Source: CoreLogic/Dataquick



During the recession, in addition to the decline in property values, the loss of jobs in the County led to high levels of unemployment, as shown in the chart below. County unemployment reached 14.8% in July 2010. However conditions have improved. In 2014, 53,117 jobs were added, and total job gains since 2011 are 139,767, which is 97.8% of the 142,993 jobs lost during the recession. Job growth for 2015 is forecasted at 51,250, which, if achieved, will be the third consecutive year of growth exceeding 50,000 jobs. Unemployment has declined, returning to pre-recession levels at 6.9% as of July 2015, which compares to unemployment rates for the State and the Nation, which were 6.5% and 5.3%, respectively.

**COUNTY OF SAN BERNARDINO  
UNEMPLOYMENT RATES  
STATE OF CALIFORNIA AND SAN BERNARDINO COUNTY  
JULY 2007 THROUGH JULY 2015**



Source: State of California Employment Development Department



## **GENERAL FUND – FIVE YEAR FORECAST 2015-16 THROUGH 2019-20**

Long-term financial planning is an effective tool for creating sustainable budgets and providing fiscal stability beyond the annual budget horizon. Long-term financial planning is a strategic process that provides governments with the insights and information needed to establish multi-year budget solutions and financial policies and actions that maintain good fiscal health. The County creates a five-year financial forecast for the purpose of providing the Board of Supervisors with a framework for use in decision-making in order to maintain and continue the fiscal health of the County, and plan for the provision of services, capital assets, and infrastructure. It also helps the County to understand the fiscal challenges ahead and the need to establish priorities.

The forecast is updated annually and is not a budget. It does not establish policy or priorities; it simply summarizes fiscal capacity. The forecast identifies key factors that affect the County's fiscal outlook and assesses how difficult balancing the budget may be in the future.

The forecast is developed using a baseline environment, in which revenues and expenditures are projected based primarily on trend analysis, specific circumstances and present level of services provided by the County. The forecast is not a prediction of what is certain to happen but rather a projection of what will occur in the absence of any mitigating actions or changing circumstances. As such, this forecast highlights significant issues or problems that must be addressed in order to maintain a structurally balanced budget.

### **Significant Issues Impacting the General Fund**

Mandated program shifts from the State, funded primarily with sales tax revenue, increase the County's exposure to sales tax fluctuations. Sales tax revenue tends to be more volatile and quicker to react to changes in the economy than property tax revenue.

Retirement costs are projected to continue to increase in 2015-16 due to the impact of a 0.25% decrease in the Retirement Board's earnings assumption and a change in the mortality tables. Projected increases also include the multi-year impact of a year to date shortfall in earnings.

Staffing for the High Desert Detention Center will require an additional \$27.6 million in funding through 2018-19.

The Affordable Care Act will impact Human Services departments and the Arrowhead Regional Medical Center as they are primary providers of Medi-Cal services. The longer term impacts of the Affordable Care Act remain difficult to forecast.



**TABLE 1**  
**FIVE-YEAR FINANCIAL FORECAST**  
**DISCRETIONARY GENERAL FUNDING**  
**FISCAL YEARS 2015-16 THROUGH 2019-20**  
**(dollars in millions)**

	<u>2015-16</u>	<u>Total Change</u> <u>2015-16 through 2019-20</u>
<b><u>Ongoing Revenue Changes:</u></b>		
Property Tax	\$40.4	\$91.4
Proposition 172 Sales Tax	8.8	23.0
AB109 Realignment Revenue	9.1	9.1
Other Revenue	(1.9)	3.3
<b>Total Ongoing Revenue Change</b>	<b><u>\$56.4</u></b>	<b><u>\$126.8</u></b>
<b><u>Ongoing Cost Changes:</u></b>		
Retirement	(11.9)	(29.4)
Other MOU Costs	(6.0)	(6.2)
County Fire Subsidy Costs	(2.1)	(2.1)
Other Costs	(4.4)	(6.7)
Transportation Operations/Pavement Management Program (PCI)	(8.8)	(14.2)
Department Policy Items	(12.4)	(12.4)
<b>Total Change in Costs</b>	<b><u>(45.6)</u></b>	<b><u>(71.0)</u></b>
<b>Yearly Operating Available</b>	<b><u>\$10.8</u></b>	<b><u>\$55.8</u></b>
<b><u>Ongoing Costs Not Funded in the Ongoing Budget Plan</u></b>		
High Desert Detention Center Staffing	0.0	(27.6)
Glen Helen SB1022 Housing Program	0.0	(1.2)
<b>Subtotal Ongoing (Deficit)/Surplus including Ongoing Costs Not Funded</b>	<b><u>\$10.8</u></b>	<b><u>\$27.0</u></b>
Hypothetical Memoranda Of Understanding (MOU) Costs	<u>0.0</u>	<u>(44.7) to (67.8)</u>
<b>Annual Ongoing (Deficit)/Surplus including Ongoing Costs Not Funded</b>	<b><u>\$10.8</u></b>	<b><u>\$(17.7) to (40.8)</u></b>

Note: The Five-Year Financial Forecast represents future incremental costs and changes in revenues for the referenced fiscal year.

Table 1 displays the County's 2015-16 detailed financial forecast and summarizes the County's five-year financial forecast. The forecast reflects ongoing expenditures funded with ongoing discretionary revenue in the County's General Fund. The forecast shows that ongoing revenues are increasing due to projected increases in property tax and Proposition 172 sales tax revenue. Ongoing Cost Changes reflect the cost to maintain current service levels and the cost of Department Policy Items. After accounting for these changes, the Yearly Operating Available is positive for the next five fiscal years, but appears to only support minimal increases in services or labor costs.

In recent years the County has identified other ongoing costs not previously included in the five year forecast that need to be addressed. These costs are identified in Table 1 as Ongoing Costs Not Funded in the Ongoing Budget Plan. After including these cost components, the County's General Fund has a cumulative structural surplus of \$27.0 million over the next five fiscal years.

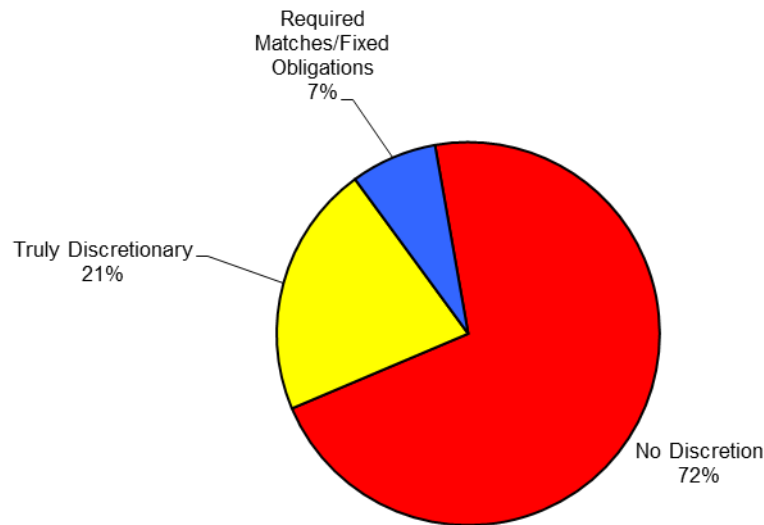
However, this forecast also illustrates the need for continued caution in allocating this surplus in light of upcoming and current negotiations with employee groups. The surplus could quickly revert to a deficit when potential Memoranda of Understanding (MOU) costs are included. Costs associated with future negotiations have been estimated and identified above as Hypothetical MOU Costs.



**COUNTYWIDE DISCRETIONARY REVENUE**

The entire General Fund budget including operating transfers in is \$2.9 billion, however, only \$0.62 billion (or 21.3%) is truly discretionary as seen in this pie chart.

### 2015-16 Adopted Budget General Fund Spending

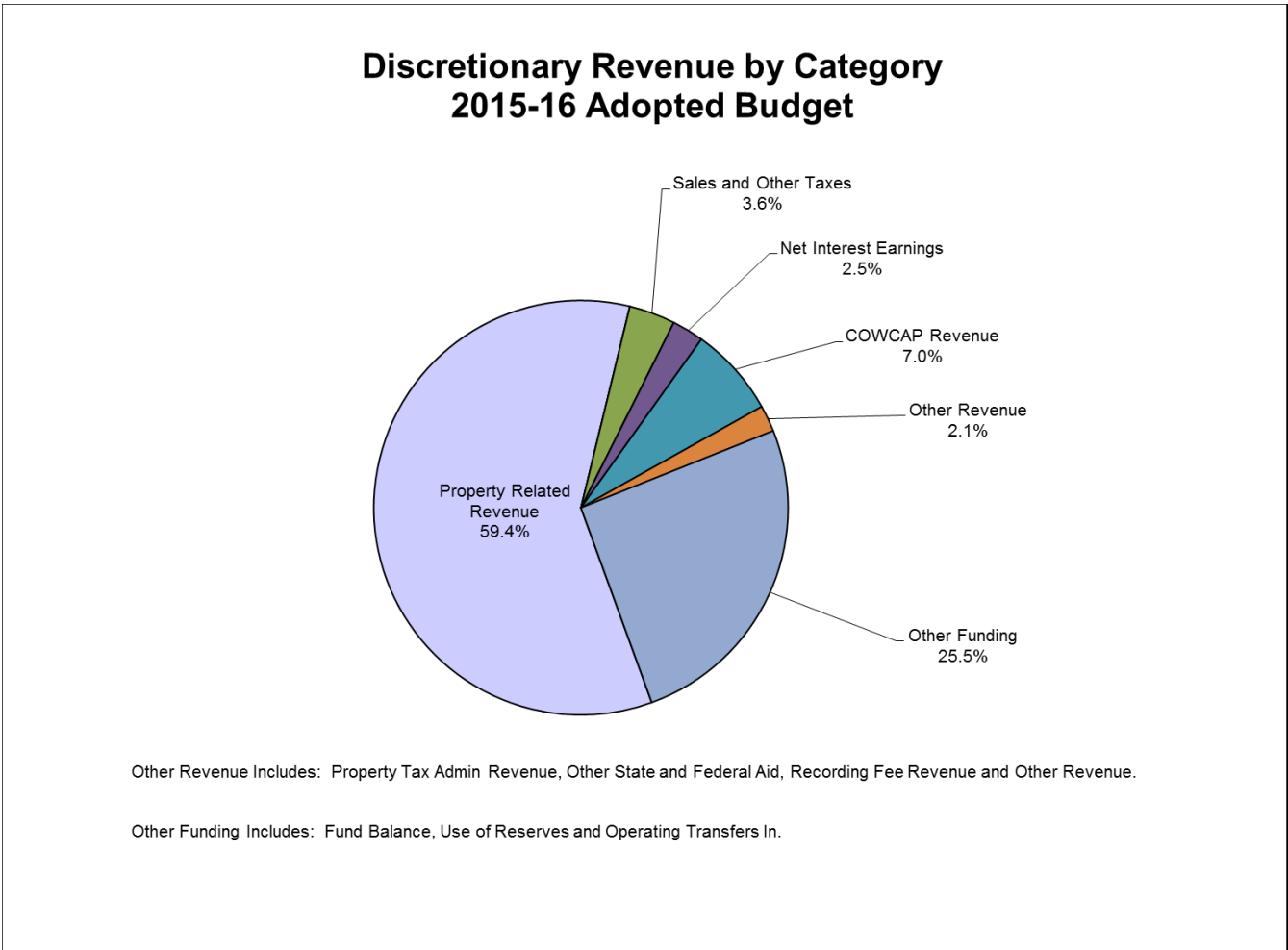


<b>SPENDING WHERE THERE IS NO DISCRETION. INCLUDES:</b>	<b>2,065,254,331</b>
Welfare costs reimbursed by state and federal monies (\$1,059.4 million)	
Other program costs funded by program revenues such as user fees (\$1,005.8 million)	
<b>REQUIRED HEALTH AND WELFARE MATCHES AND OTHER FIXED OBLIGATIONS:</b>	<b>210,882,751</b>
<b>SPENDING WHERE THERE IS DISCRETION. INCLUDES:</b>	<b>616,659,567</b>
Reserve Contributions (\$62.2 million)	
Contingencies Contributions (\$90.1 million)	
Law and justice program costs funded by local revenues (\$342.3 million)	
All other program costs funded by local revenues (\$122.1 million)	
<b>TOTAL:</b>	<b>\$2,892,796,649</b>

Countywide discretionary revenue is \$827,542,317 and is first obligated to pay for required health and welfare matches and other fixed obligations, which total \$210,882,751. The remaining amount of \$616,659,567 is truly discretionary and available to fund departmental budgets' Net County Cost or other expenditures.



Shown below are the sources of countywide discretionary revenue of \$827,542,317 for the 2015-16 Adopted Budget:



Percentages may not add to 100% due to rounding.



**COUNTYWIDE DISCRETIONARY REVENUE WHICH PAY FOR NET COUNTY COST**

2015-16 Discretionary General Funding of \$827,542,317 includes Countywide Discretionary Revenue of \$616.5 million and Other Funding Sources of \$211.0 million. Per the County Fund Balance and Reserve Policy, the General Purpose Reserve will be built up with one-time sources until the target of 20% of locally funded appropriation is reached. The 2015-16 Adopted Budget includes a contribution of \$6,335,500 to the General Purpose Reserve (1% of locally funded appropriation) and brings the funding level to \$88,776,402, or 14.0% of locally funded appropriation. County policy also requires a minimum of 1.5% of locally funded appropriation be placed in General Fund Mandatory Contingencies, which is \$9,502,656 for 2015-16.

	<b>2014-15 Adopted Budget</b>	<b>2014-15 Final Budget</b>	<b>2014-15 Actual</b>	<b>2015-16 Adopted Budget</b>
<b>Countywide Discretionary Revenue</b>				
Property Related Revenue:				
Current Secured, Unsecured, Unitary	221,098,140	237,459,788	258,146,521	249,353,638
VLF/Property Tax Swap	215,356,359	220,869,138	220,869,139	227,495,213
Supplemental Property Tax	3,000,000	3,000,000	7,051,072	3,000,000
Property Transfer Tax	7,500,000	7,500,000	7,591,463	7,500,000
Penalty on Current Taxes	2,160,000	2,160,000	1,978,873	2,160,000
Prior Property Taxes, Penalties and Interest	1,690,000	1,690,000	2,661,930	1,690,000
<b>Total Property Related Revenue<sup>(1)</sup></b>	<b>450,804,499</b>	<b>472,678,926</b>	<b>498,298,998</b>	<b>491,198,851</b>
Sales and Other Taxes:				
Sales and Use Tax <sup>(1)</sup>	20,245,138	20,245,138	22,451,262	21,561,071
Franchise Fees	5,950,000	5,950,000	6,868,411	5,950,000
Hotel/Motel Tax	1,500,000	1,500,000	2,055,886	1,500,000
Other Taxes	790,000	790,000	675,095	790,000
<b>Total Sales and Other Taxes</b>	<b>28,485,138</b>	<b>28,485,138</b>	<b>32,050,653</b>	<b>29,801,071</b>
Net Interest Earnings	20,550,000	18,496,227	22,108,188	20,550,000
COWCAP Revenue	57,921,243	57,921,243	57,758,145	57,921,243
Property Tax Admin Revenue	8,467,236	8,467,236	9,274,714	8,636,581
Recording Fee Revenue	3,500,000	3,500,000	2,866,649	2,850,000
State and Federal Aid	3,671,482	5,122,675	15,914,098	5,122,675
Other Revenue	430,000	430,000	457,721	430,000
<b>Total Countywide Discretionary Revenue</b>	<b>573,829,598</b>	<b>595,101,445</b>	<b>638,729,166</b>	<b>616,510,421</b>
<b>Other Funding Sources</b>				
Available Fund Balance, beginning	106,109,766	106,109,766	106,109,766	176,598,036
Fund Balance for Board Discretionary Fund Allocations	4,206,259	4,206,259	1,694,543	2,511,716
Use of Reserves	5,636,537	54,929,063	54,929,063	2,922,144
Operating Transfers In (One-Time)	5,700,000	6,403,696	3,058,794	12,000,000
Operating Transfers In (Ongoing)	21,100,000	21,100,000	20,914,791	17,000,000
<b>Total Other Funding Sources</b>	<b>142,752,562</b>	<b>192,748,784</b>	<b>186,706,957</b>	<b>211,031,896</b>
<b>Total Countywide Discretionary Revenue and Other Funding Sources</b>	<b>716,582,160</b>	<b>787,850,229</b>	<b>825,436,123</b>	<b>827,542,317</b>
<b>Locally Funded Appropriation</b>				
Total Countywide Discretionary Revenue	573,829,598	595,101,445	638,729,166	616,510,421
Operating Transfers In (Ongoing)	21,100,000	21,100,000	20,914,791	17,000,000
<b>Locally Funded Appropriation</b>	<b>594,929,598</b>	<b>616,201,445</b>	<b>659,643,957</b>	<b>633,510,421</b>



### **Countywide Discretionary Revenue**

Property Related Revenue accounts for 59.4% of countywide discretionary revenue and other funding sources. These revenues were severely impacted as a result of the mortgage and financial crisis, which also had a significant effect on the housing market within the County. Assessed valuation was negatively affected both by homes selling at prices lower than their current assessed valuation, and by Proposition 8 reassessments, which lowered valuations of properties (where no change in ownership has occurred) when the current assessed value of such property was greater than the fair market value of the property. However, the median price of a home in the County has risen and the volume of home sales remains relatively stable. Rising home prices are also leading to value being added back to the assessment roll for valuations that had been reduced through Proposition 8 reassessments.

The 2015-16 Adopted Budget anticipates a 3.0% increase in the assessed valuation of properties within the County. The revenue from the assessed valuation is budgeted conservatively compared to the County Assessor's projection of 4.0%, to account for potential downward corrections to the assessment roll during the fiscal year.

Subsequent to the adoption of the 2015-16 Budget, the Assessor/Recorder/County Clerk published the County's assessment roll that reflected an increase in assessed valuation of 5.1% for 2015-16. The County will analyze the roll increase and future supplemental roll activity to evaluate the need for budget adjustments in the quarterly report process.

### **Elimination of Redevelopment Agencies**

A portion of the General Fund's property tax revenue is pass-through of property tax increment belonging to Redevelopment Agencies. Redevelopment Agencies were dissolved as of February 1, 2012, pursuant to ABx1 26. Pursuant to ABx1 26, revenues that would have been directed to the dissolved Redevelopment Agencies will continue to be used to make pass-through payments to other public agencies (i.e., payments that such entities would have received under prior law). In addition, the State projects that the elimination of Redevelopment Agencies will provide additional property tax revenue (residual) for local public agencies, including the County.

### **The Teeter Plan**

The Teeter Plan is an alternate property tax distribution procedure authorized by the California Legislature in 1949, and implemented by the County in 1993-94. Generally, the Teeter Plan provides for a property tax distribution procedure by which secured roll taxes are distributed based on the tax levy, rather than on the basis of actual tax collections, for agencies that elect to participate in the Teeter Plan (including the County General Fund). Under the Teeter Plan, the County advances each participant an amount equal to the participant's Teeter Secured Levy (adjusted at year end for corrections to the assessment roll) that remains unpaid at the end of the fiscal year. In return, the County General Fund receives all future delinquent tax payments, penalties and interest. The County bears the risk of loss on the delinquent property taxes but benefits from the penalties and interest associated with these delinquent taxes when they are paid. Under the Teeter Plan, the County is also required to establish a tax loss reserve fund to cover losses that may occur as a result of sales of tax-defaulted properties.

The Teeter Secured Levy includes each participating agency's share of the 1% ad valorem secured levy, plus any ad valorem levy for the debt service of voter-approved general obligation bonds. Not included in the Teeter Secured Levy are supplemental roll revenues, special assessments, utility roll revenues, or property tax pass-through amounts from Redevelopment Agencies within the County (see 'Elimination of Redevelopment Agencies' above).

As a participant in the Teeter Plan, the County General Fund receives its entire share of its Teeter Secured Levy, regardless of delinquencies. The County General Fund also receives all participating agencies' share of the penalties and interest associated with the delinquent taxes advanced under the Teeter Plan once they are paid.



These interest and penalties, accounted for as interest earnings in countywide discretionary revenue, are projected to increase slightly in 2015-16 as compared to the 2014-15 Final Budget.

The following paragraphs describe the components of property related revenue in detail:

#### **Current Secured, Unsecured, Unitary**

Secured Property Tax Revenue makes up approximately \$224.0 million of the \$249.4 million in the 2015-16 “Current Secured, Unsecured, Unitary” budgeted revenue number, up from \$212.6 million in the 2014-15 Final Budget. This reflects a projected increase in assessed valuation of 3.0%. This number also includes a \$5.0 million increase in residual revenue related to the dissolution of Redevelopment Agencies pursuant to ABx1 26 and pass-through payments consistent with the legislation (see ‘Elimination of Redevelopment Agencies’ on the previous page).

#### **VLF/Property Tax Swap**

Historically, approximately three-fourths of Vehicle License Fee (VLF) revenue was allocated to cities and counties as general purpose funding. Beginning in 1998-99, the State reduced the VLF payment required from vehicle owners. However, the State made up the revenue impact of the VLF rate reductions with State general fund revenue (the ‘VLF Backfill’).

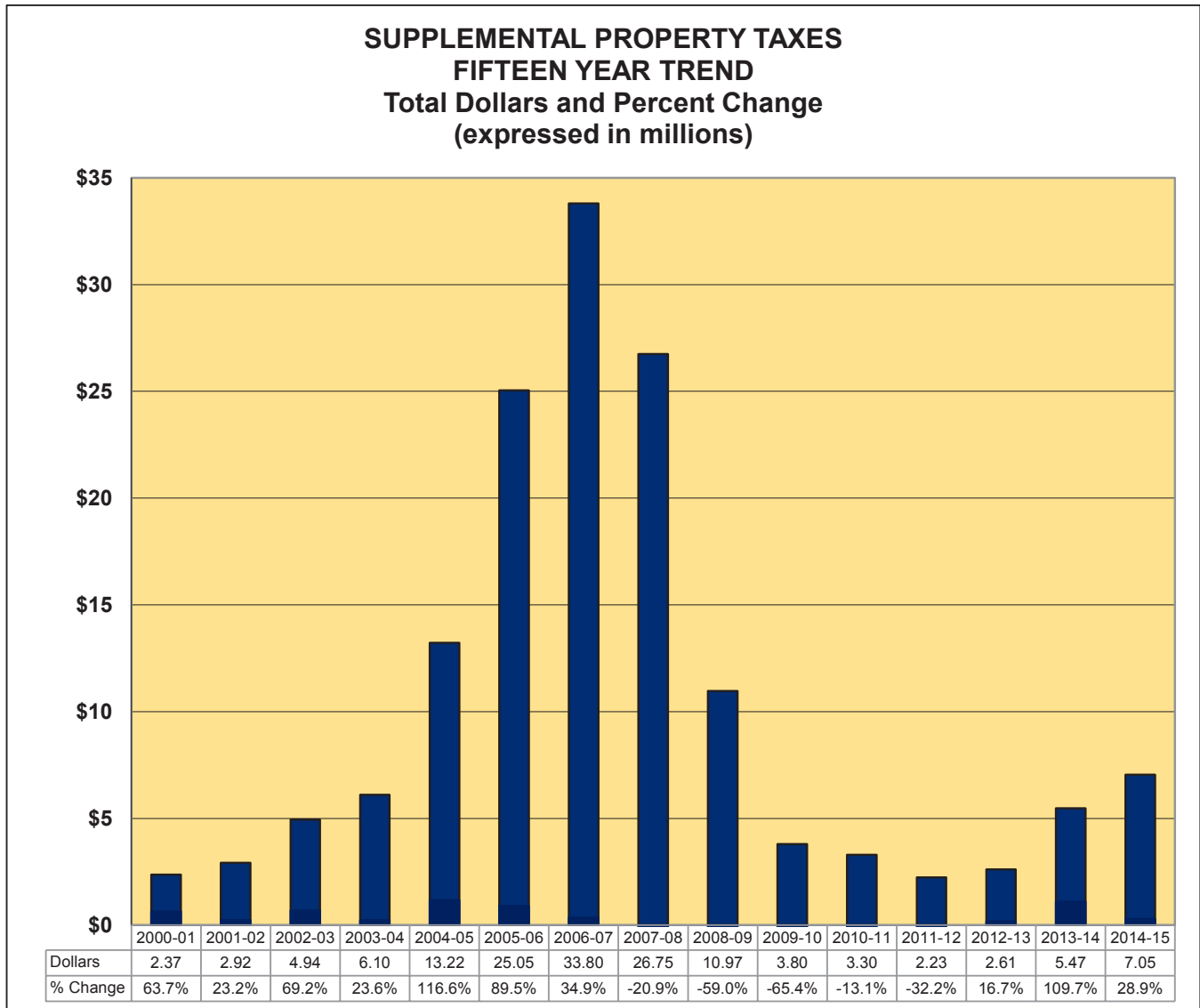
The VLF Backfill was eliminated in the 2004-05 State Budget. In that year, the VLF Backfill to cities and counties was permanently replaced with an equivalent increase in property tax revenues (VLF/Property Tax Swap revenues). This increase was funded by decreases in property tax revenues allocated to schools and community colleges.

For 2004-05, the State established the base amount of the VLF/Property Tax Swap. The base is equal to the amount of VLF backfill that the counties and cities would have received in 2004-05, calculated using actual VLF receipt amounts for 2004-05. For years beginning in 2005-06, the VLF/Property Tax Swap amount is calculated using the prior year VLF/Property Tax Swap amount adjusted by the percent change in assessed valuation. This percent change includes both secured and unsecured assessed valuation, but excludes the change in unitary valuations. The 2015-16 budget amount reflects the projected increase in assessed valuation of 3.0% as compared to the 2014-15 actual revenue.

#### **Supplemental Property Tax**

Supplemental Property Tax payments are required from property owners when there is a change in the assessed valuation of their property after the property tax bill for that year has been issued. Generally, there are two types of events that will require a supplemental property tax payment: a change in ownership or the completion of new construction. As a result, when property values have been increasing and sales activity is high, there will be an increase in the number and dollar amount of supplemental property tax bills, which will result in increased supplemental property tax revenue to the County. Conversely, when home values are decreasing, refunds may be due to homeowners, and supplemental property tax revenues will decrease. Because the collection of these revenues may not occur for one to two years after the sale of the property, supplemental property tax revenue will generally lag the reality in the housing market by at least a year.



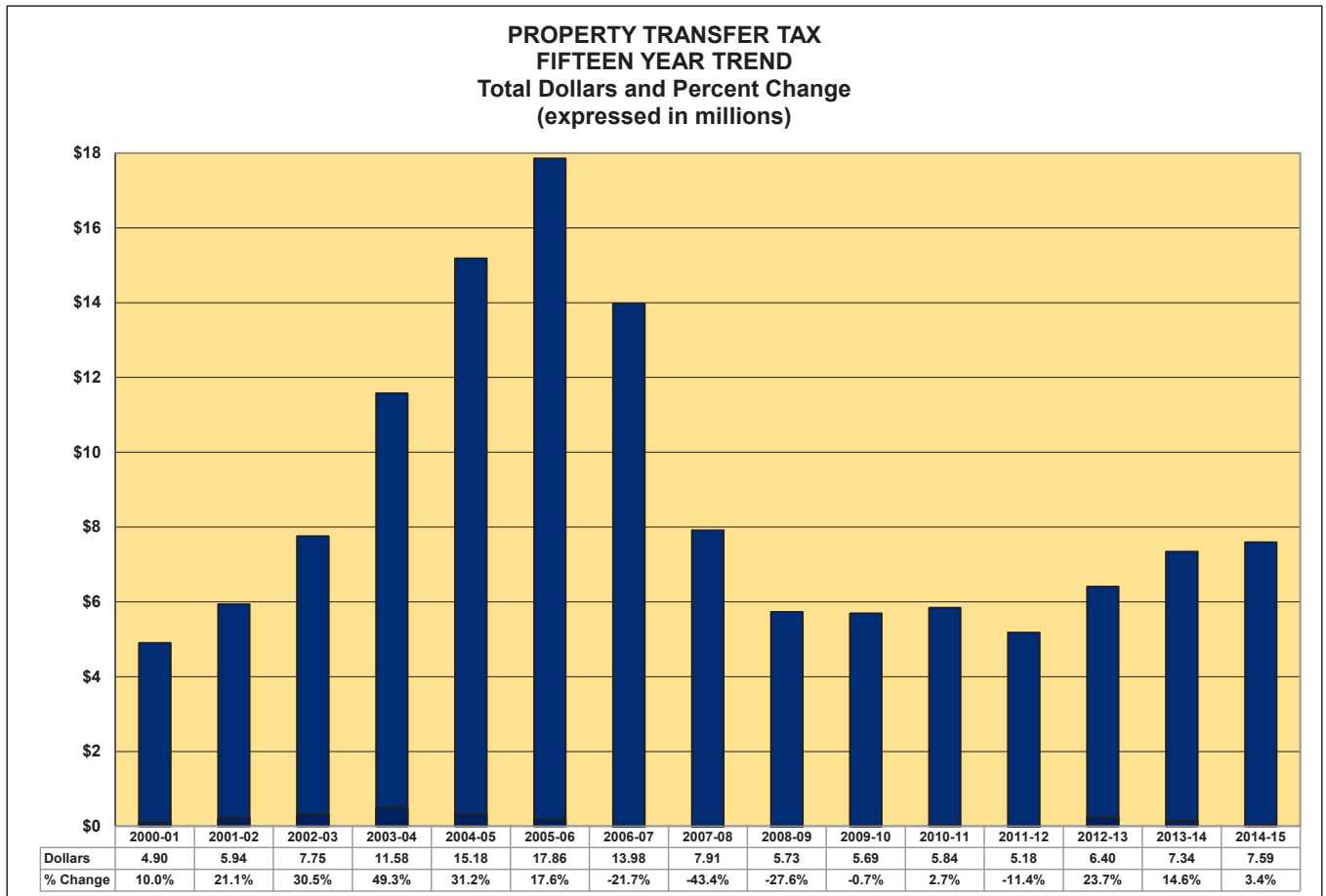


As shown in the chart above, supplemental property tax revenues have declined significantly since 2006-07 as a result of the collapse of the housing market. Supplemental revenue in 2012-13 showed the first year over year increase since 2006-07. In 2014-15, supplemental revenue increased 28.9% consistent with increased home values. The County projects the ongoing portion of these revenues to be \$3.0 million in 2015-16.



### Property Transfer Tax

The Property Transfer Tax is collected when any lands, tenements, or other realty sold within the County is granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser. The tax is imposed when the value of the property exceeds \$100. The tax rate is \$0.55 for each \$500 of property value. For sales in the unincorporated areas of the County, the County receives 100% of the tax. For sales in cities, the County receives 50% of the tax. The County anticipates that property transfer tax will total \$7.5 million in 2015-16, consistent with 2014-15 revenue. The following chart presents the most recent fifteen year trend of property transfer tax revenue.



### Sales and Use Tax

Countywide discretionary revenue includes 1.0% of the 8.0% sales tax rate charged on purchases made in the unincorporated areas of the County. This 1.0% is made up of two components. The first is 0.75% of taxable sales remitted by businesses that collect sales tax. The second component is the Sales Tax/Property Tax Swap, also referred to as the Triple Flip, which represents 0.25% of taxable sales. Both of these components are explained in more detail below.

#### Sales and Use Tax Allocation of 0.75%

When preparing the annual budget, the County projects future sales tax revenue based on data provided by a local economist and the County's sales tax consultant. For 2015-16, Sales and Use Tax revenue is anticipated to increase by 6.5% over the prior year adopted budget amount.



2015-16 ongoing sales tax revenue in the unincorporated area is projected to total \$19.2 million (after adjusting for the Triple Flip). However, the County has budgeted only \$15.5 million for 2015-16. The sales tax revenue projection of \$15.5 million excludes the portion of the County ongoing sales tax revenue remitted to the City of Redlands under the sales tax sharing agreement explained below:

**Sales Tax Sharing Agreement with the City of Redlands:** In August of 2003, the County entered into a sales tax sharing agreement with the City of Redlands. Under the terms of this agreement, the City of Redlands provides certain government services to an unincorporated area of the County, and in return the County pays the City a percentage of the sales tax revenue generated in that geographical area. This geographical area has numerous retail establishments and generates a considerable amount of sales tax revenue. Under the terms of the sales tax sharing agreement, the County currently pays the City of Redlands 90% of the County discretionary sales tax revenue generated in this area.

**Sales Tax Risk – Potential Annexations and Incorporations:** Based on recent estimates, approximately 29.9% of the County's discretionary sales tax revenue is generated in the unincorporated portion of the spheres of influence of the 24 cities that are within the County's boundaries. A sphere of influence is a 'planning boundary' within which a city or district is expected to grow over time. Therefore, the areas within these spheres are likely to be annexed, and once annexed, the discretionary sales tax revenue generated in that area will go to the city instead of the County. The County would also lose sales tax revenue if a community in the unincorporated area of the County decided to create a new city (incorporate).

#### Sales Tax/Property Tax Swap of 0.25%

Effective with the fiscal year that began on July 1, 2004, the State changed the way sales tax revenue is distributed to counties and cities. Previously, counties and cities received 1.0% of the State's base sales tax rate. Pursuant to new provisions enacted by the legislature, this 1.0% share of sales tax was reduced by 0.25%, to 0.75%. The additional 0.25% in sales tax revenue was redirected to the State to be used to fund debt service on the California Economic Recovery Bonds, which were approved by voters as Proposition 57. In return, counties and cities receive additional property tax revenue (funded by reducing the schools' share of property tax revenue) in an amount equal to the 0.25% sales tax revenues forgone. The State General Fund then makes up the loss of property tax revenue to the schools. This change is referred to as the 'Triple Flip'. The Triple Flip will continue until the California Economic Recovery Bonds are paid. Once the bonds are paid, and the Triple Flip is discontinued, the County's share of the base sales tax rate will return to 1.0%. The bonds are currently scheduled to mature on July 1, 2023.

The Triple Flip was designed to replace sales tax revenue on a dollar for dollar basis with property tax revenue. In practice, the additional property tax revenue paid to the counties and cities each year is based on an estimate of the agencies' sales tax revenue for the year plus a 'true-up' from the prior year. This true-up represents the difference between the additional property tax revenue paid to the local agency and the actual amount of sales tax revenue (the 0.25%) lost by the local agency.

For 2015-16, the County anticipates \$6.1 million in Triple Flip revenue which includes an estimated \$0.4 million in true-up from the prior year.

Both components of discretionary sales tax revenue (Sales and Use Tax Allocation of 0.75%, and Sales Tax/Property Tax Swap) are combined and reported together as Sales and Use Tax in the Countywide Discretionary Revenue Which Pay for Net County Cost chart found earlier in this section. For 2015-16, a combined total of \$21.6 million is budgeted for Sales and Use Tax, \$15.5 million for the 0.75% Allocation and \$6.1 million of Sales Tax/Property Tax Swap revenue.

Not included in budgeted sales and use tax revenue is \$3.5 million of one-time use tax revenue estimated to be generated from major construction projects in the unincorporated areas of the County. This revenue would normally be distributed to the County, and cities within the County, based on their percent share of countywide sales tax revenue. However, due to the efforts of the Economic Development Department working with companies doing this construction, 100% of this revenue will be allocated to the County. Because this revenue is one-time in nature, it is budgeted as Operating Transfers In (one-time) instead of sales and use tax revenue.



### **Net Interest Earnings**

Net interest earnings for 2015-16 are projected at \$20.6 million and anticipated to remain flat when compared to the 2014-15 Adopted Budget amount as there are no material changes to projected cash balances or penalties and interest earned from the Teeter program. For more information see the section titled 'The Teeter Plan' found earlier in this section.

### **COWCAP (Countywide Cost Allocation Plan) Revenue**

The budgeted COWCAP Revenue amount reflects the recovered allowable costs included in the 2015-16 Countywide Cost Allocation Plan (COWCAP) published by the Auditor-Controller/Treasurer/Tax Collector. COWCAP revenue is reimbursement for overhead/indirect costs incurred by the General Fund. Reimbursements are received from various State and federal grant programs (that permit such reimbursement) and General Fund departments and taxing entities such as the County Library and Board-governed Special Districts. The County anticipates COWCAP revenue to remain flat to the prior year's budget based on information provided by the Auditor-Controller/Treasurer/Tax Collector.

### **Property Tax Administration Revenue**

Property tax administration revenue consists of:

- SB 813 cost reimbursement, which represents allowable charges for administration and operation of the supplemental property tax program. This reimbursement is tied directly to the performance of supplemental property tax revenue.
- The property tax administrative fee, which is allowed by the legislature, recovers a portion of the County's cost of the property assessment and tax collection process from certain other local jurisdictions. This revenue is tied directly to the cost of that collection effort. School Districts are not required to pay their share of this fee, so not all County costs are recovered.

The 2015-16 Adopted budget anticipates revenue to be relatively flat compared to the 2014-15 Final Budget as there are no anticipated changes to supplemental property tax revenues and no material change in the County's cost to provide property tax assessment and collection services.

### **Recording Fee Revenue**

The Recorder's Division of the County's Assessor/Recorder/County Clerk's Office collects certain fees for the official recording of documents. With the drop off of investor sales and foreclosures, Recording Fees are expected to be consistent with the 2014-15 actuals.

### **State and Federal Aid**

State and federal aid consists of a payment from the welfare realignment trust fund, which replaced the State revenue stabilization program, SB90 reimbursements from the State, and excess Vehicle License Fee (VLF) revenue. It also includes revenues received from the federal government's Payment in Lieu of Taxes (PILT) program. The Emergency Economic Stabilization Act of 2008 (Public Law 110-343) was enacted on October 3, 2008 and authorized full funding for the PILT program from 2008 through 2012, which generated approximately \$1.0 million in additional PILT revenue annually. Although scheduled to end in 2012, the full funding level for PILT was extended through federal fiscal year 2015 (October 1, 2014 to September 30, 2015). It is anticipated that this revenue will remain flat as compared to 2015-16 actuals as there are no changes anticipated to the related programs in 2015-16.

### **Other Revenue**

Other revenue includes voided warrants issued by the County, projected transfers of unclaimed property tax refunds to the General Fund, the county share of vehicle code violation revenue, and other miscellaneous revenues.



### **Other Funding Sources**

#### **Fund Balance**

The 2014-15 year-end fund balance for the General Fund is \$179.1 million. This reflects fund balance that is available for appropriation. Fund balance is a result of unspent General Fund contingencies, departmental cost savings, and additional revenue.

#### **Use of Reserves**

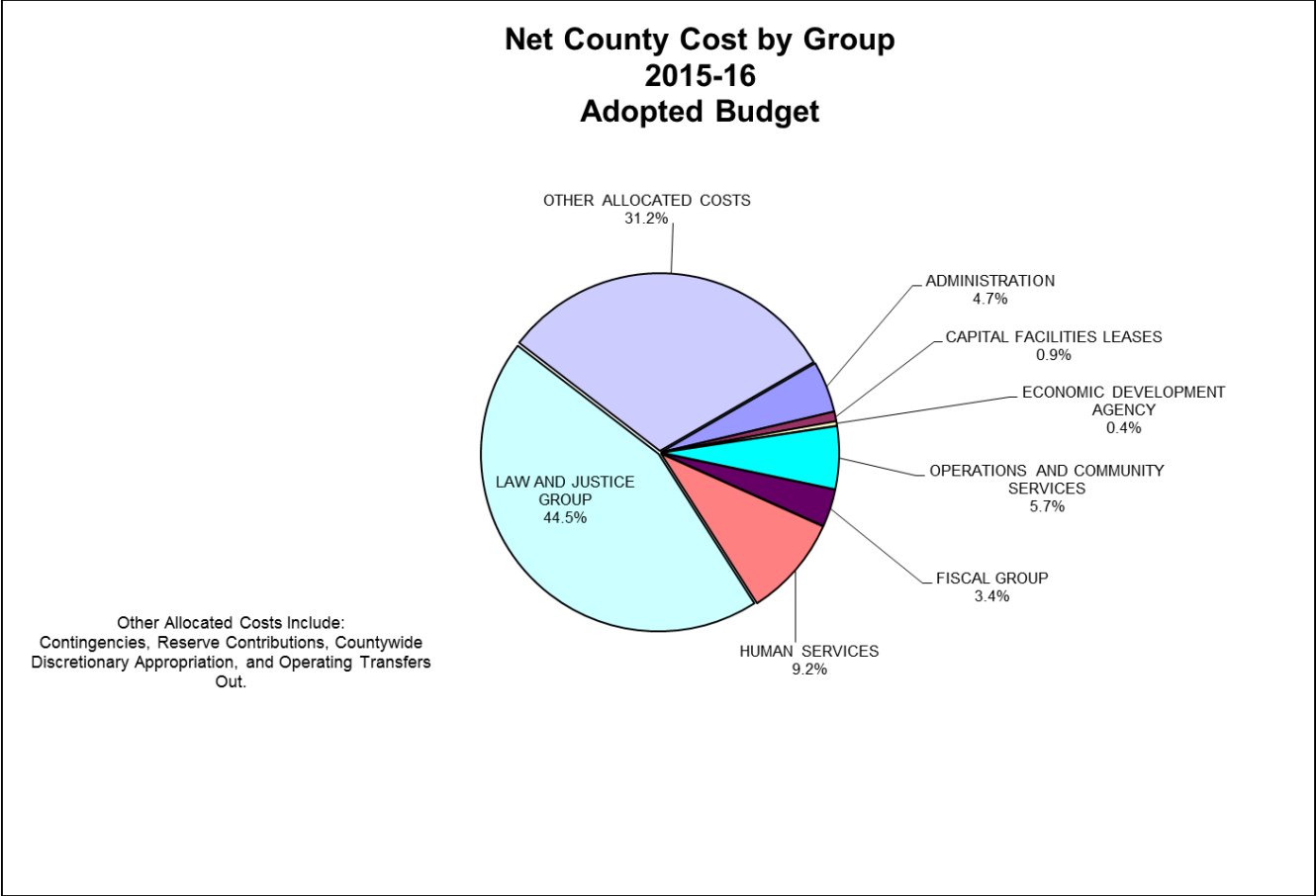
The 2015-16 Adopted Budget anticipates the use of \$2.9 million of General Fund reserves which includes funding for the General Plan Update, the Permit System upgrade, the Rimforest Drainage project, and the discontinuance of the CalFresh MOE waiver.

#### **Operating Transfers In**

Operating transfers in include \$17.0 million of ongoing tobacco settlement funds which primarily fund a portion of the annual debt service on the Arrowhead Regional Medical Center, and ongoing funding for Public Health. One-time operating transfers in include \$8.5 million from County Fire for the 800 MHz project and \$3.5 million of estimated one-time sales tax revenue discussed in the section titled 'Sales and Use Tax'.



Countywide discretionary revenue is allocated as Net County Cost to various General Fund departments within the County. The pie chart below shows what percentage of the Net County Cost is allocated to each of the groups.



Percentages may not add to 100% due to rounding.

The schedule on the following page shows a comparison of 2014-15 final Net County Cost and 2015-16 adopted Net County Cost by department. This schedule also includes requirements and sources, including operating transfers, which are mechanisms to move funding between the various county budget units. Operating transfers are presented in the following chart because the intended purpose is to provide a complete picture of the department’s requirements and sources.



Department Title	2014-15 Final Budget:			2015-16 Adopted Budget:		
	Requirements	Sources	Net County Cost	Requirements	Sources	Net County Cost
BOARD OF SUPERVISORS (ALL DISTRICTS)	7,396,993	-	7,396,993	7,663,942	-	7,663,942
CLERK OF THE BOARD	2,272,765	248,293	2,024,472	2,104,475	236,172	1,868,303
COUNTY ADMINISTRATIVE OFFICE	4,581,242	-	4,581,242	4,933,719	-	4,933,719
COUNTY ADMINISTRATIVE OFFICE - LITIGATION	642,599	-	642,599	393,868	-	393,868
COUNTY COUNSEL	9,036,226	5,713,350	3,322,876	8,499,243	5,467,467	3,031,776
FINANCE AND ADMINISTRATION	2,931,480	-	2,931,480	3,048,110	-	3,048,110
HUMAN RESOURCES	7,925,458	780,623	7,144,835	6,987,076	749,563	6,237,513
HUMAN RESOURCES - UNEMPLOYMENT INSURANCE	4,000,500	-	4,000,500	4,000,500	-	4,000,500
HUMAN RESOURCES - EMPLOYEE HEALTH AND WELLNESS	2,152,634	2,152,634	-	1,985,423	1,985,423	-
INFORMATION SERVICES - GIS AND MULTI-MEDIA	2,379,118	216,872	2,162,246	2,387,498	216,872	2,170,626
PURCHASING	2,129,477	590,504	1,538,973	2,362,435	639,951	1,722,484
LOCAL AGENCY FORMATION COMMISSION	288,274	-	288,274	294,039	-	294,039
COUNTY SCHOOLS	3,270,620	-	3,270,620	3,139,352	-	3,139,352
<b>ADMINISTRATION SUBTOTAL:</b>	<b>49,007,386</b>	<b>9,702,276</b>	<b>39,305,110</b>	<b>47,799,680</b>	<b>9,295,448</b>	<b>38,504,232</b>
CAPITAL FACILITIES LEASES	13,622,776	-	13,622,776	12,940,810	5,700,000	7,240,810
<b>CAPITAL FACILITIES LEASES SUBTOTAL:</b>	<b>13,622,776</b>	<b>-</b>	<b>13,622,776</b>	<b>12,940,810</b>	<b>5,700,000</b>	<b>7,240,810</b>
ECONOMIC DEVELOPMENT	3,586,408	155,000	3,431,408	3,513,630	155,000	3,358,630
<b>ECONOMIC DEVELOPMENT AGENCY SUBTOTAL:</b>	<b>3,586,408</b>	<b>155,000</b>	<b>3,431,408</b>	<b>3,513,630</b>	<b>155,000</b>	<b>3,358,630</b>
ASSESSOR/RECORDER/COUNTY CLERK	23,345,394	7,145,500	16,199,894	23,385,365	6,961,500	16,423,865
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	37,500,566	26,603,327	10,897,239	39,324,296	27,581,097	11,743,199
<b>FISCAL SUBTOTAL:</b>	<b>60,845,960</b>	<b>33,748,827</b>	<b>27,097,133</b>	<b>62,709,661</b>	<b>34,542,597</b>	<b>28,167,064</b>
HEALTH ADMINISTRATION	122,670,613	107,670,613	15,000,000	120,279,015	105,279,015	15,000,000
BEHAVIORAL HEALTH	172,458,799	170,466,588	1,992,211	185,423,229	183,431,018	1,992,211
PUBLIC HEALTH	81,235,658	76,846,574	4,389,084	83,381,075	79,000,080	4,380,995
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	21,359,774	16,673,628	4,686,146	21,778,580	17,092,434	4,686,146
PUBLIC HEALTH - INDIGENT AMBULANCE	472,501	-	472,501	472,501	-	472,501
AGING AND ADULT SERVICES	9,764,727	9,764,727	-	9,373,472	9,373,472	-
AGING AND ADULT SERVICES - PUBLIC GUARDIAN-CONSERVATOR	1,041,639	402,951	638,688	1,115,851	230,513	885,338
CHILD SUPPORT SERVICES	40,355,804	40,339,593	16,211	39,988,504	39,988,504	-
HUMAN SERVICES - ADMINISTRATIVE CLAIM	519,081,932	504,589,519	14,492,413	544,925,782	528,187,504	16,738,278
DOMESTIC VIOLENCE/CHILD ABUSE SERVICES	531,812	531,812	-	531,812	531,812	-
ENTITLEMENT PAYMENTS (CHILDCARE)	26,360,535	26,360,535	-	26,477,701	26,477,701	-
OUT-OF-HOME CHILD CARE	942,566	-	942,566	960,566	-	960,566
AID TO ADOPTIVE CHILDREN	59,808,232	57,758,712	2,049,520	63,612,155	61,562,635	2,049,520
AFDC - FOSTER CARE	125,203,480	107,905,073	17,298,407	133,044,207	114,470,799	18,573,408
REFUGEE CASH ASSISTANCE	91,197	81,197	10,000	125,000	125,000	-
CASH ASSISTANCE FOR IMMIGRANTS	2,171,954	2,171,954	-	2,521,954	2,521,954	-
CALWORKS - ALL OTHER FAMILIES	261,137,220	255,689,925	5,447,295	258,658,750	253,267,251	5,391,499
KINSHIP GUARDIANSHIP ASSISTANCE PROGRAM	9,341,496	8,300,659	1,040,837	10,559,739	9,434,054	1,125,685
SERIOUSLY EMOTIONALLY DISTURBED	-	-	-	-	-	-
CALWORKS - 2 PARENT FAMILIES	45,900,248	44,857,681	1,042,567	45,949,621	44,905,012	1,044,609
AID TO INDIGENTS (GENERAL RELIEF)	1,436,197	370,000	1,066,197	1,571,708	198,000	1,373,708
VETERANS AFFAIRS	2,426,337	971,864	1,454,473	2,167,009	642,500	1,524,509
<b>HUMAN SERVICES SUBTOTAL:</b>	<b>1,503,792,721</b>	<b>1,431,753,605</b>	<b>72,039,116</b>	<b>1,552,918,231</b>	<b>1,476,719,258</b>	<b>76,198,973</b>
COUNTY TRIAL COURTS - DRUG COURT PROGRAMS	46,971	46,971	-	-	-	-
COUNTY TRIAL COURTS - GRAND JURY	429,069	-	429,069	453,461	-	453,461
COUNTY TRIAL COURTS - INDIGENT DEFENSE PROGRAM	10,046,137	32,000	10,014,137	10,369,383	32,000	10,337,383
COUNTY TRIAL COURTS - COURT FACILITIES/JUDICIAL BENEFITS	1,211,889	-	1,211,889	1,211,897	-	1,211,897
COUNTY TRIAL COURTS - COURT FACILITIES PAYMENTS	2,676,349	-	2,676,349	2,676,349	-	2,676,349
COUNTY TRIAL COURTS - FUNDING OF MAINTENANCE OF EFFORT	25,509,703	14,182,000	11,327,703	25,509,881	14,182,000	11,327,881
DISTRICT ATTORNEY - CRIMINAL PROSECUTION	67,326,704	35,174,829	32,151,875	71,719,317	37,441,867	34,277,450
LAW & JUSTICE GROUP ADMINISTRATION	90,208	90,208	-	90,208	90,208	-
PROBATION - ADMINISTRATION, CORRECTIONS AND DETENTION	164,201,538	88,807,019	75,394,519	146,321,121	71,809,445	74,511,676
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	75,161	-	75,161	-	-	-
PUBLIC DEFENDER	36,235,593	3,783,518	32,452,075	38,296,378	4,219,996	34,076,382
SHERIFF/CORONER/PUBLIC ADMINISTRATOR	219,738,569	157,525,640	62,212,929	224,351,828	158,908,696	65,443,132
SHERIFF - DETENTIONS	177,244,851	47,476,686	129,768,165	190,539,471	56,534,052	134,005,419
SHERIFF - CONTRACTS	128,971,801	128,076,620	895,181	135,283,154	135,283,154	-
<b>LAW AND JUSTICE SUBTOTAL:</b>	<b>833,804,543</b>	<b>475,195,491</b>	<b>358,609,052</b>	<b>846,822,448</b>	<b>478,501,418</b>	<b>368,321,030</b>
AGRICULTURE/WEIGHTS AND MEASURES	7,334,109	5,897,567	1,436,542	6,918,980	5,542,860	1,376,120
AIRPORTS	3,517,671	3,517,671	-	2,958,485	2,958,485	-
ARCHITECTURE AND ENGINEERING	20,000	-	20,000	-	-	-
COMMUNITY SERVICES GROUP - ADMIN	-	-	-	270,000	-	270,000
COUNTY MUSEUM	3,669,812	766,014	2,903,798	3,252,267	320,150	2,932,117
LAND USE SERVICES - ADMINISTRATION	2,260,006	21,500	2,238,506	772,625	-	772,625
LAND USE SERVICES - PLANNING	13,509,083	4,187,107	9,321,976	7,794,736	3,146,034	4,648,702
LAND USE SERVICES - LAND DEVELOPMENT	1,250,695	548,398	702,297	1,013,282	384,810	628,472
LAND USE SERVICES - BUILDING AND SAFETY	5,569,367	5,061,075	508,292	4,865,458	4,308,719	556,739
LAND USE SERVICES - CODE ENFORCEMENT	5,815,329	858,000	4,957,329	5,969,552	755,500	5,214,052
LAND USE SERVICES - FIRE HAZARD ABATEMENT	2,552,699	2,303,869	248,830	2,535,360	2,255,165	280,195
PUBLIC WORKS-SURVEYOR	3,405,098	2,829,463	575,635	3,243,549	2,502,675	740,874
REAL ESTATE SERVICES (RES)	1,164,639	1,164,639	-	1,237,791	1,237,791	-
RES - FACILITIES MANAGEMENT	14,349,231	13,736,172	613,059	15,915,558	15,707,558	208,000
RES - UTILITIES	20,372,321	283,329	20,088,992	20,893,815	347,495	20,546,320
RES - RENTS AND LEASES	1,008,033	1,008,033	-	943,284	943,284	-
RES - COURTS PROPERTY MANAGEMENT	2,292,520	2,292,520	-	2,064,941	2,064,941	-
REGIONAL PARKS	11,369,706	7,906,571	3,463,135	10,216,598	8,112,420	2,104,178
REGISTRAR OF VOTERS	8,645,714	2,012,240	6,633,474	9,205,388	2,252,723	6,952,665
<b>OPERATIONS AND COMMUNITY SERVICES SUBTOTAL:</b>	<b>108,106,033</b>	<b>54,394,168</b>	<b>53,711,865</b>	<b>100,071,669</b>	<b>52,840,610</b>	<b>47,231,059</b>
<b>GENERAL FUND DEPARTMENT SUBTOTAL:</b>	<b>2,572,765,827</b>	<b>2,004,949,367</b>	<b>567,816,460</b>	<b>2,626,776,129</b>	<b>2,057,754,331</b>	<b>569,021,798</b>
CONTINGENCIES	90,879,155	-	90,879,155	99,574,897	-	99,574,897
RESERVE CONTRIBUTIONS	49,689,395	-	49,689,395	68,515,086	-	68,515,086
BOARD DISCRETIONARY FUND	4,206,259	-	4,206,259	2,511,716	-	2,511,716
NON DEPARTMENTAL APPROPRIATION	9,553,773	9,553,773	-	7,500,000	7,500,000	-
OPERATING TRANSFERS OUT	75,258,960	-	75,258,960	87,918,821	-	87,918,821
<b>TOTAL COUNTYWIDE ALLOCATED COSTS:</b>	<b>229,587,542</b>	<b>9,553,773</b>	<b>220,033,769</b>	<b>266,020,520</b>	<b>7,500,000</b>	<b>258,520,520</b>
<b>GRAND TOTAL:</b>	<b>2,802,353,369</b>	<b>2,014,503,140</b>	<b>787,850,229</b>	<b>2,892,796,649</b>	<b>2,065,254,331</b>	<b>827,542,318</b>

NOTE: Total countywide allocated costs on this schedule includes appropriation for Non Departmental budget unit. This appropriation is offset in the countywide discretionary revenue schedule on the net interest earnings line.



**APPROPRIATION****NON-DEPARTMENTAL BUDGET UNIT**

The non-departmental budget unit includes discretionary revenue of the General Fund that is detailed in the table titled 'Countywide Discretionary Revenue Which Pay for Net County Cost' found earlier in this section of the budget book.

	<b>2014-15 Adopted Budget</b>	<b>2014-15 Final Budget</b>	<b>2014-15 Actuals</b>	<b>2015-16 Adopted Budget</b>
Services & Supplies	1,000,000	1,000,000	488,740	1,000,000
Other Charges	6,500,000	8,553,773	3,791,991	6,500,000
<b>Total Expenditure Authority</b>	<b>7,500,000</b>	<b>9,553,773</b>	<b>4,280,731</b>	<b>7,500,000</b>

Non-departmental appropriation pays for countywide expenditures not allocable to a specific department, and interest expense on the County's annual Tax and Revenue Anticipation Notes. The net interest earnings revenue reported in the table titled 'Countywide Discretionary Revenue Which Pay for Net County Cost' is reduced by these expenditures.

In 2014-15, a mid-year increase of \$2.1 million was appropriated to pay the one-time cost of the Property Tax Administration Fee (PTAF) litigation. This litigation was initiated by forty-three cities who sued Los Angeles County over the portion of PTAF fees calculated on the State revenue exchanges known as the Triple Flip and Vehicle License Fee (VLF)/Property Tax Swap. All California counties had included the Triple Flip and VLF/Property Tax Swap in the base for the calculation of the cities' share of this fee. The Court ruled in favor of the cities.

In addition to expenditures, this budget unit also includes operating transfers out which are transfers of cash to fund programs accounted for outside of the General Fund.



**OPERATING TRANSFERS OUT**

	<b>2014-15 Adopted Budget</b>	<b>2014-15 Final Budget</b>	<b>2014-15 Actuals</b>	<b>2015-16 Adopted Budget</b>
<b>One-Time</b>				
ARMC Detainee Monitoring Facilities	100,000	100,000	100,000	-
Capital Improvement Fund				-
401 Arrowhead Building HVAC				400,000
Apple Valley Library Structural Beam Repair Project				2,500,000
Civil Liabilities Remodel				180,000
County Buildings and Acquisition Retrofit Project		4,000,000	4,000,000	11,200,000
Demolition of Old Cental Juvenile Hall Building				1,500,000
Fleet Management/Public Works Pavement Rehab	1,398,564	1,804,010	1,804,010	-
Glen Helen Rehabilitation Center Shower Remodel - Phase II				406,600
High Desert Detention Center Generator				1,000,000
High Desert Detention Center Housing Unit 2 HVAC				1,700,000
Rancho Court Remodel - District Attorney/Public Defender		1,470,000	1,470,000	-
Sheriff Training Center Lead Mitigation Phase II				2,470,000
Sheriff's Narcotics Relocation		5,000,000	5,000,000	-
Update Valley Public Safety Operations Center (PSOC) Needs Assessment				200,000
Yucca Valley - Station 41 Room Addition				560,928
800 MHz Project				8,500,000
Community Development and Housing - RDA Dissolution				150,000
County Fire Memorandum of Understanding Incentive Pay		1,474,350	1,472,576	-
County Fire Reserve Reduction				(12,820,000)
Flood Control District - Rimforest Drainage Project				874,098
Home Ownership Protection Program	200,000	200,000	200,000	-
Joshua Tree Sidewalks and Signage	75,000	75,000	75,000	-
Lucerne Valley CSA Park Improvements	70,000	87,000	87,000	-
Public Works - Transportation Projects	5,580,320	5,785,705	5,775,918	6,432,500
Special Districts Drought/Water Supply	1,100,000	1,100,000	1,100,000	-
<b>Ongoing</b>				
Aging and Adult Services	1,057,620	1,057,620	1,057,620	1,057,620
Capital Improvement Fund - Annual Allocation	12,000,000	12,000,000	12,000,000	12,000,000
800 MHz Project	20,000,000	20,000,000	20,000,000	17,881,452
General Fund Subsidy to County Fire Protection District				
Operations	-	-	-	461,429
Office of Emergency Services	1,601,228	1,601,228	1,601,228	1,901,228
North Desert Zone	6,772,984	6,772,984	6,792,548	7,976,378
South Desert Zone	3,228,163	3,228,163	3,228,163	3,455,077
Valley Zone	3,432,722	3,432,722	3,432,722	2,349,499
Mountain Zone	45,281	45,281	45,281	-
Equipment Purchases	2,719,564	2,719,564	2,719,564	3,774,879
Emergency Fuel	162,848	162,848	162,848	162,848
Court Settlement POB Payment	300,000	592,485	800,959	300,000
County Successor Agency to fund Sales Tax Sharing Agreement	250,000	250,000	162,593	250,000
Flood Control District Stormwater Permit	1,300,000	1,300,000	1,300,000	1,300,000
Public Works - PCI Road Maintenance	-	-	-	8,794,285
Special Districts - Water/Wastewater System for Regional Parks	1,000,000	1,000,000	590,185	1,000,000
<b>Total Operating Transfers Out</b>	<b>62,394,294</b>	<b>75,258,960</b>	<b>74,978,215</b>	<b>87,918,821</b>



## **CONTINGENCIES**

The County Contingencies includes the following elements:

### **Contingencies**

#### **Mandatory Contingencies**

Board Policy requires the County to maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts or other economic events affecting the County's operations, which could not have reasonably been anticipated at the time the budget was prepared. Funding is targeted at 1.5% of locally funded appropriation.

#### **Uncertainties Contingencies**

Any unallocated funding available from current year sources (both ongoing and one-time) that has not been set-aside or contributed to reserves is budgeted in the contingencies for uncertainties.

#### **Ongoing Set-Aside Contingencies**

The County budget process differentiates between ongoing and one-time revenue sources. Ongoing set-asides represent ongoing sources of funding that have been targeted for future ongoing program needs. There are currently no ongoing set-aside contingencies.

	<b>2014-15 Adopted Budget</b>	<b>2014-15 Approved Contributions/ (Uses)</b>	<b>2015-16 Adopted Contributions / (Uses)</b>	<b>2015-16 Adopted Budget</b>
<b>Contingencies</b>				
Mandatory Contingencies (1.5% of Locally Funded Appropriation)	8,923,944		578,712	9,502,656
Uncertainties Contingencies	45,515,935	36,439,276	8,117,030	90,072,241
<b>Total Contingencies</b>	<b>54,439,879</b>	<b>36,439,276</b>	<b>8,695,742</b>	<b>99,574,897</b>

### **2014-15 Changes to Uncertainties Contingencies**

In 2014-15, there was a net contribution of \$36,439,276. The major adjustments are as follows:

- \$16,742,096 contribution as the result of the release of the Workers Compensation Rebate Reserve.
- \$23,325,620 contribution due to increases in countywide discretionary revenue related to an increase in property tax revenues associated with the higher than anticipated growth in assessed valuation, an increase in residual payments related to the dissolution of the Redevelopment Agencies, and an increase in federal Payment in Lieu of Taxes revenue.
- \$5,660,519 contribution due to the release of a portion of the Labor reserve for incentive payments in 2013-14.
- A use of \$2,053,773 to fund the payment of the remaining Property Tax Administration (PTAF) settlement to cities.
- A use of \$2,701,268 to fund increases resulting from changes in employee MOU agreements.
- A use of \$1,075,773 to fund increased information technology infrastructure projects in the Sheriff's Department's budget.



- A use of \$1,461,945 to return reserve amounts to the General Plan/Development Code Amendments reserve that were allocated in 2013-14 that remained unspent at the end of the year.

#### 2015-16 Mandatory Contingencies

The base allocation to the mandatory contingencies is \$9,502,656, the amount required pursuant to Board policy, based on projected locally funded appropriation of \$633.5 million.

#### 2015-16 Uncertainties Contingencies

All available General Fund sources not appropriated in the Adopted Budget or contributed to General Fund Reserves are reflected in the Uncertain Contingencies of \$90,072,241.

### **RESERVES**

The County has a number of reserves that have been established over the years. Some are for specific purposes, such as to meet future known obligations or to build a reserve for capital projects. The General Purpose reserve are funds held to protect the County from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the County. On January 6, 1998, the Board of Supervisors adopted a County policy to provide guidelines and goals for reserve levels. The current policy calls for the County General Purpose Reserve target to be 20% of locally funded appropriation. The Board of Supervisors also established specific purpose reserves to set aside funds to meet future needs.

#### 2015-16 Contributions and Uses

The Fund Balance and Reserve Policy calls for a General Purpose Reserve targeted at 20% of locally funded appropriation, up from the previous target of 10%. The 2015-16 contribution to the General Purpose Reserve brings the balance in the General Purpose Reserve to 14.0% of locally funded appropriation. The Fund Balance and Reserve Policy calls for continued annual contributions of one-time sources to this reserve until the 20% target is achieved. For 2015-16 contributions to Specific Purpose reserves include amounts set-aside to fund Capital Improvement Projects, Transportation Projects, the Earned Leave Reserve contribution, and many other important projects and future potential costs, as shown in the following tables.



					Total Reserves		
	6/30/14 Ending Balance	Approved 2014-15		6/30/15 Ending Balance	Adopted 2015-16		6/30/16 Estimated Balance
		Contributions	Uses		Contributions	Uses	
<b>General Purpose Reserve</b>	<b>82,440,902</b>			<b>82,440,902</b>	<b>6,335,500</b>		<b>88,776,402</b>
<b>Specific Purpose Reserves</b>							
Asset Replacement		1,899,098		1,899,098			1,899,098
CalFresh Waiver Discontinuance	5,000,000			5,000,000		(1,275,000)	3,725,000
Capital Projects							
Animal Shelter	10,000,000			10,000,000			10,000,000
303 Building Upgrades	4,000,000		(4,000,000)	-			-
County Buildings and Acquisition Retrofit Project	4,000,000			4,000,000			4,000,000
Lake Gregory Dam	-	5,000,000		5,000,000	3,803,000		8,803,000
Public Defender - Victorville/Rancho Court Remodel	-	600,000	(170,000)	430,000			430,000
Rancho Court Remodel - District Attorney	-	1,570,000	(1,300,000)	270,000		(270,000)	-
Rim Forest Drainage	5,900,000			5,900,000		(874,098)	5,025,902
Sheriff Building	-	5,000,000	(5,000,000)	-			-
Capital Improvements	-			-	6,700,000		6,700,000
Computer Systems:							
New Property Tax System	20,000,000			20,000,000	5,000,000		25,000,000
New Financial Accounting System	13,000,000			13,000,000			13,000,000
Permit Systems Upgrade	2,000,000	2,160,902	(1,771,364)	2,389,538		(183,000)	2,206,538
County Fire Consolidated Headquarters	-			-	13,500,000		13,500,000
County Fire - Fire Training Center	-			-	820,000		820,000
Earned Leave	10,603,137	7,945,799	(4,890,898)	13,658,038	7,945,799		21,603,837
Future Space Needs	-			-			-
Give BIG San Bernardino County	-			-	200,000		200,000
Insurance	3,000,000			3,000,000			3,000,000
Jail Upgrades							
Adelanto Detention Center	9,969,361			9,969,361			9,969,361
Glen Helen Rehabilitation Center 512 Bed Step Housing Program	22,500,000			22,500,000			22,500,000
West Valley Detention Center ADA Improvements	7,000,000			7,000,000			7,000,000
Labor	-	15,100,000	(10,418,168)	4,681,832	2,500,000		7,181,832
Land Use Services General Plan/Development Code Amendments	5,400,000	1,461,945	(5,308,537)	1,553,408	1,518,988	(320,046)	2,752,350
Litigation Expenses	-			-	3,000,000		3,000,000
Litigation	-			-	1,350,000		1,350,000
Medical Center Debt Service	32,074,905			32,074,905			32,074,905
Redevelopment Agency Overpayment	3,800,000			3,800,000			3,800,000
Restitution	1,545,025			1,545,025			1,545,025
Retirement	8,500,000			8,500,000			8,500,000
Transportation Projects							
Cedar Avenue Interchange	-			-	8,175,000		8,175,000
Glen Helen Grade Separation	5,328,000		(5,328,000)	-			-
Glen Helen Parkway Bridge Replacement/Widening Construction	-	1,844,651		1,844,651	1,420,799		3,265,450
Green Tree Boulevard Connection	-			-	841,000		841,000
National Trails Highway	-	5,000,000		5,000,000	5,000,000		10,000,000
Rock Springs Bridge Replacement /Widening Construction	-	2,107,000		2,107,000			2,107,000
Stanfield Cutoff Road Repair and Bridge Replacement	-			-	405,000		405,000
Worker's Compensation Rebate	16,742,096		(16,742,096)	-			-
<b>Total Specific Purpose</b>	<b>190,362,524</b>			<b>185,122,856</b>			<b>244,380,298</b>
<b>Total Reserves</b>	<b>272,803,426</b>			<b>267,563,758</b>			<b>333,156,700</b>

Note: In prior years this schedule included the Teeter Reserve, which was included because the amount reserved exceeded the legally required amount. The Teeter Reserve is no longer funded in excess of the legally required amount and has been removed from this schedule.



	Year End Actual Balances					Adopted 2015-16
	2010-11	2011-12	2012-13	2013-14	2014-15	
<b>General Purpose</b>	<b>\$ 59.7</b>	<b>\$ 65.2</b>	<b>70.8</b>	<b>82.4</b>	<b>82.4</b>	<b>88.8</b>
<b>Specific Purpose</b>						
Asset Replacement	-	-	-	-	1.9	1.9
Business Process Improvements	1.2	-	-	-	-	-
Cal Fresh Waiver Discontinuance	-	-	-	5.0	5.0	3.7
Capital Projects:	-	-	-	-	-	-
Animal Shelter	4.0	-	-	10.0	10.0	10.0
303 Building Upgrades	-	-	-	4.0	-	-
County Buildings and Acquisition Retrofit Project	-	-	-	4.0	4.0	4.0
Lake Gregory Dam	-	-	-	-	5.0	8.8
Public Defender - Victorville and Rancho Court Remodel	-	-	-	-	0.4	0.4
Rancho Court Remodel - District Attorney	-	-	-	-	0.3	-
Rim Forest Drainage	-	-	-	5.9	5.9	5.0
Sheriff Building	-	-	-	-	-	6.7
Capital Improvements	-	-	-	-	-	-
Computer Systems	-	-	-	-	-	-
New Property Tax System	-	9.0	20.0	20.0	20.0	25.0
New Financial Accounting System	-	-	-	13.0	13.0	13.0
Permit Systems Upgrade	-	-	-	2.0	2.4	2.2
County Fire Consolidated Headquarters	-	-	-	-	-	13.5
County Fire - Fire Training Center	3.0	4.0	-	-	-	0.8
Earned Leave	-	3.6	3.6	10.6	13.7	21.6
Future Space Needs	22.9	22.9	22.9	-	-	-
Give BIG San Bernardino County	-	-	-	-	-	0.2
Insurance	3.0	3.0	3.0	3.0	3.0	3.0
Jail Upgrades:	-	-	-	-	-	-
Adelanto Detention Center	-	-	-	10.0	10.0	10.0
Glen Helen Rehabilitation Center	-	-	-	22.5	22.5	22.5
West Valley Detention Center ADA Improvements	-	-	-	7.0	7.0	7.0
Labor	-	-	-	-	4.7	7.2
Land Use Services General Plan/Development Code Amendments	-	-	-	5.4	1.6	2.8
Litigation Expenses	-	-	-	-	-	3.0
Litigation	-	-	-	-	-	1.4
Medical Center Debt Service	32.1	32.1	32.1	32.1	32.1	32.1
Property Tax Admin Fee Litigation	-	14.2	-	-	-	-
Redevelopment Agency Overpayment	-	-	-	3.8	3.8	3.8
Restitution	1.5	1.5	1.5	1.5	1.5	1.5
Retirement	8.5	8.5	8.5	8.5	8.5	8.5
Transportation Projects	-	-	-	-	-	-
Cedar Avenue Interchange	-	-	-	-	-	8.2
Glen Helen Grade Separation	-	-	-	5.3	-	-
Glen Helen Parkway Bridge Replacement/Widening Construction	-	-	-	-	1.8	3.3
Green Tree Blvd Connection	-	-	-	-	-	0.8
National Trails Highway	-	-	-	-	5.0	10.0
Rock Springs Bridge Replacement/Widening Construction	-	-	-	-	2.1	2.1
Stanfield Cutoff Road Repair and Bridge Replacement	-	-	-	-	-	0.4
Workers Compensation Rebate	-	-	-	16.7	-	-
<b>Total Specific Purpose</b>	<b>76.2</b>	<b>98.8</b>	<b>91.6</b>	<b>190.3</b>	<b>185.1</b>	<b>244.4</b>
<b>Total Reserves<sup>(1)</sup></b>	<b>\$ 135.9</b>	<b>\$ 164.0</b>	<b>\$ 162.4</b>	<b>\$ 272.7</b>	<b>\$ 267.6</b>	<b>\$ 333.2</b>

<sup>(1)</sup> Totals may not be exact due to rounding

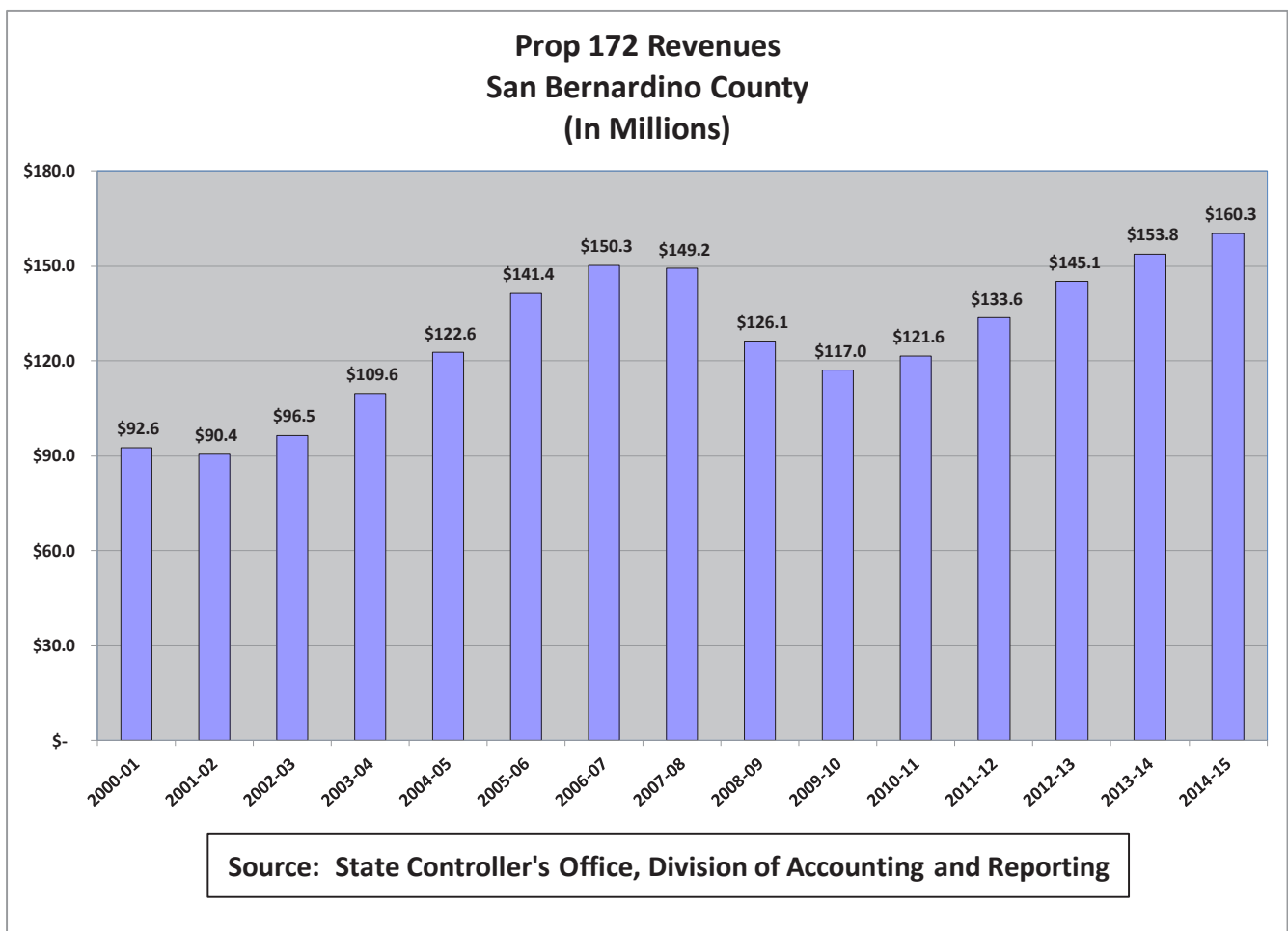
Note: In prior years this schedule included the Teeter Reserve, which was included because the amount reserved exceeded the legally required amount. The Teeter Reserve is no longer funded in excess of the legally required amount and has been removed from this schedule.



### **PROPOSITION 172**

Proposition 172 (Prop 172), which became effective January 1, 1994, placed a one-half percent sales tax rate in the State's Constitution and required that revenue from the additional one-half percent sales tax be used only for local public safety activities, which include but are not limited to sheriff, police, fire protection, county district attorney, and county corrections. Funding from Prop 172 enabled counties and cities to substantially offset the public safety impacts of property tax losses resulting from the State property tax shift to the Educational Revenue Augmentation Fund (ERAF).

The one-half percent sales tax imposed by Prop 172 is collected by the state and apportioned to each county based on its proportionate share of statewide taxable sales. In accordance with Government Code 30055, of the total Prop 172 revenue allocated to San Bernardino County, 5% is distributed to cities affected by the property tax shift and 95% remains within the County. The following chart reflects the annual amount of Prop 172 revenues received by San Bernardino County, excluding the cities' distributions, for the past 15 years.



On August 22, 1995, the County Board of Supervisors approved the recommendation that defined the following departments as the public safety services designated to receive the County's 95% share of Prop 172 revenue, consistent with Government Code Section 30052, and authorized the Auditor-Controller/Treasurer/Tax Collector to deposit the County's portion of the Prop 172 revenue as follows:

➤	Sheriff/Coroner/Public Administrator	70.0%
➤	District Attorney	17.5%
➤	Probation	12.5%

Prop 172 revenue currently represents a significant funding source for the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments. Each year, as part of the budget development process, Prop 172 projections are developed based on staff analysis of revenue trends and forecasts provided by an outside economist.

On February 13, 2007, the Board of Supervisors approved a policy which requires the County to maintain an appropriation for contingency for Prop 172 funds targeted at no less than 10% of the current year's budgeted Prop 172 revenues. This 10% contingency was created to ensure funding for these public safety departments should the County experience Prop 172 revenue shortfalls in the future. These contingencies are maintained for each respective department within the Prop 172 restricted general fund.

The chart below illustrates the beginning and estimated ending fund balances of the Prop 172 restricted general fund, budgeted revenue and departmental usage for 2015-16, the required 10% contingency target, and the amount above that target.

	<b>Beginning Fund Balance</b>	<b>2015-16 Budgeted Revenue</b>	<b>2015-16 Budgeted Usage</b>	<b>Estimated Ending Fund Balance</b>	<b>10% Contingency</b>	<b>Amount Above Required Contingency</b>
<b>Sheriff/Coroner</b>	17,997,071	115,426,700	(115,360,000)	18,063,771	11,542,670	6,521,101
<b>District Attorney</b>	5,117,973	28,857,250	(28,840,000)	5,135,223	2,885,725	2,249,498
<b>Probation</b>	3,300,468	20,631,050	(20,600,000)	3,331,518	2,063,105	1,268,413
<b>Total</b>	<b>26,415,512</b>	<b>164,915,000</b>	<b>(164,800,000)</b>	<b>26,530,512</b>	<b>16,491,500</b>	<b>10,039,012</b>



## **REALIGNMENT FUNDS**

Beginning in 1991, the State of California shifted the fiscal and programmatic responsibility of several health and social services programs from the State to counties. In 2011 the State shifted more social services and mental health programs to the counties along with law enforcement services. Separate budget units were established to account for the realigned program funding for the following service areas:

1991 Realignment  
Mental Health  
Social Services  
Health

2011 Realignment  
Law Enforcement  
Support Services

Other Realignment  
CalWORKs MOE  
Family Support

These Realignment budget units receive funds through a portion of sales tax and vehicle license fees. The budget units do not directly spend funds or provide services, but rather transfer funds to the operating budget units of the departments that incur the actual expenditures related to the realigned programs. The breakdown of the revenue received and departmental usage for each of the individual Realignment budget units is included in this section.

With the realignment of many state services, counties have become increasingly dependent on sales tax and vehicle license fee revenue for these realigned programs. This puts the County at the mercy of the business cycle, as funding will rise and fall in direct correlation to the State's economy. While sales taxes are not projected to decrease in 2015-16, retail spending tends to be much more volatile and quicker to react to changes in the economy, resulting in a higher risk of funding losses in future years. In addition, when the economy is doing well, the demand for public services goes down, but when the economy begins to retract, the demand for those services rises while revenues decrease, making the County more vulnerable to market fluctuations. Therefore the County maintains reserves in the 1991 Realignment funds and will establish reserves for the 2011 Realignment funds to address sales tax volatility.

### 1991 Realignment

In 1991, the State shifted responsibility for a number of mental health, social services, and health programs to counties. This shift, known as 1991 Realignment, resulted in the creation of two dedicated funding streams to pay for the shifted services: a one-half cent Sales Tax and 24.33% of Vehicle License Fee (VLF) revenues made available by a change in the depreciation schedule for vehicles. Pursuant to SB 1096, Chapter 21, Statutes of 2004, the Vehicle License Fee was reduced from 2.0% of the market value of a vehicle to 0.65% of the market value. SB 1096 also changed the percentage of the VLF revenue allocated to Realignment from 24.33% to 74.9%. This change did not result in increased VLF revenues to 1991 Realignment, but simply reflects the same funding amount expressed as a percentage of the reduced revenue collected. Each of the three service areas identified was required to have their own separate accounts established and each of those service areas receive a different share of statewide 1991 Realignment revenue.

Within the mental health area, the County is now responsible for the following programs: community-based mental health programs, State Hospital services for County patients, and Institutions for Mental Disease. Within the social services area, the County is now responsible for the following programs: the County revenue stabilization program and the County justice subvention program. Within the health area, the County is now responsible for the following programs: AB8 County health services, local health services, medically indigent services, and the County medical services program.

In addition to these program responsibility shifts, a number of programs had changes made to their cost sharing ratios. For example, prior to 1991 Realignment, Foster Care non-federal reimbursable costs were funded by 95% State resources and 5% County resources. As a realigned program, Foster Care is funded with 40% State resources and 60% County resources, significantly impacting County resources.

The 1991 Realignment program has some flaws in its design that adversely impact San Bernardino County revenues. First, San Bernardino County is an "under-equity county," meaning that the County receives a lesser



share of revenue relative to other counties based on population and estimated poverty population. Revenue distributions among counties were determined by expenditures in the programs that were transferred just prior to the adoption of Realignment. San Bernardino County was under-equity in those programs. 1991 Realignment did attempt to address the inequity issue, but the effort fell short. The County continues to be under-equity at this time and barring any legislative action the amount of inequity will increase over time. As growth occurs in the revenue streams, incremental new funding is distributed on existing sharing arrangements between the counties. The counties that are already over-equity get a higher percentage of the new revenue while those that are under-equity get less.

The 1991 Realignment legislation allows for some flexibility in usage of funds at the County level. Upon action by the Board of Supervisors, a county can transfer 10% of a given year's revenue from one fund to another. San Bernardino County has used this provision in the past to help support either the health or social services programs; however, the County has not made a 10% transfer in the prior ten fiscal years and is not budgeting one for 2015-16. In the event that such transfer is needed, Board of Supervisors approval is required.

### 2011 Realignment

The State addressed prison overcrowding by shifting custodial responsibility of non-violent, non-sex, and non-sex-against-children ('Triple-Nons') offenders to local jails in 2011, through Public Safety Realignment (AB 109). In addition, the parole function of the State was delegated to county Probation departments; parole revocation hearings were shifted to the local jurisdictions and cases were assigned to the District Attorney and Public Defender. The State also realigned Juvenile Reentry and Trial Court Security by placing 100% of the financial burden of those programs on the County. The justification for the 'Public Safety Realignment' is that it gives the County flexibility to better provide mental health and social services to the recently incarcerated in the hopes of reducing recidivism and having the net effect of lowering both jail and prison population.

In conjunction with AB 109, the State also shifted full financial burden of many social service and mental health programs to the County, including: Adult Protective Services, Foster Care, Child Welfare Services, Child Abuse Prevention and Intervention, Drug Court, and Medi-Cal substance abuse treatment programs. The County was responsible for delivery of these programs before realignment, but with the shift, the State no longer participates in the share of cost. While the State no longer shares in the cost, it has dedicated a portion of the state sales tax (1.0625%) revenue, along with a portion of vehicle license fees for these realigned programs. The County continues to receive federal funding in all of these programs at different levels depending on the program.

In November 2012, the California voters passed Proposition 30 which increased both Sales and Income Tax. The measure also dedicated a funding stream for 2011 Realignment in the State Constitution. That process has mitigated the revenue stream doubts that existed with the onset of 2011 Realignment, but funding will now be directly dependent on the health of the economy.

The two service areas of 2011 Realignment, Law Enforcement Services and Support Services, have each been assigned their own budget unit. The Law Enforcement Services budget unit has four subaccounts: Trial Court Security (administered by the Sheriff/Coroner/Public Administrator's department); District Attorney/Public Defender (which share the funds equally); Juvenile Justice (administered by Probation); and Community Corrections. The Community Corrections subaccount is administered by the Local Community Corrections Partnership which consists of a membership defined by Penal Code Section 1230 (including the Chief Probation Officer, the Sheriff/Coroner/Public Administrator, the District Attorney, the Public Defender, and Social Services Executives). As established by State law, the County's Local Community Corrections Partnership (CCP) has authority over the allocation of revenue from the Community Corrections subaccount. Historically, additional subaccount revenue has been used to cover the cost of new Public Safety Realignment programs. The CCP has also allocated additional revenue from the subaccount to fund existing Public Safety Realignment program inflationary costs (e.g., retirement increases, negotiated employee cost increases).

The Support Services budget unit has two subaccounts: Behavioral Health and Protective Services. The Department of Behavioral Health allocates the subaccount funding to Specialty Mental Health, Drug Court, and the Drug Medi-Cal substance use disorder treatment programs while Human Services allocates the Protective



Services subaccount to the appropriate social service programs. The 2011 Realignment legislation allows counties to allocate up to 10% between the Behavioral Health and Protective Services subaccounts. The 10% is based on the amount deposited in the previous year in the subaccount with the lowest balance. The County is not budgeting a transfer between subaccounts in 2015-16 and, in the event that such transfer is needed, Board of Supervisors approval is required. The Board of Supervisors also has the discretion to establish a Support Services Reserve Subaccount of up to five-percent (5%) from each subaccount's previous year's deposits.

#### Other Realignment

The State is redirecting funding from 1991 Realignment for Mental Health Services to the CalWORKs MOE portion related to 2011 Realignment. Sales tax and vehicle license fee revenue that previously was directed to the fund for Mental Health matching funds is now going to the CalWORKs MOE fund. The CalWORKs MOE budget unit provides funding to pay benefits to CalWORKs clients. The Mental Health funding now comes in the form of a defined monthly amount taken off the top of 2011 Realignment revenues. California Government Code establishes a statewide amount of \$1.121 billion per year directed to the Mental Health Fund with future growth in the CalWORKs MOE fund to be directed to Mental Health as well.

Assembly Bill 85 (AB85) was signed into law on June 27, 2013, in order to provide a mechanism for the State of California to redirect a portion of 1991 Realignment for Health Services to fund social service programs. This shift is due to the idea that less health realignment is necessary as a result of the implementation of the Affordable Care Act. Per California Welfare and Institutions Code 176500.10(a)(5) and AB85 legislation the establishment of a new Family Support subaccount was required at the local level. This funding replaces State General Fund to fund the non-federal share of CalWORKs benefits.

**Budgetary Note:** The methodology used to present budget information in the Realignment budget sections was changed as of the 2014-15 Adopted Budget Book. Growth and ongoing revenues are now reflected in the period the revenue is received and is consistent with other County budget reporting. A line has been added for each budget unit to reflect prior year growth revenue received so it is shown separately from regular revenues received in the budget unit. Previously, financial information presented in the Realignment budget sections was consistent with state reporting requirements for the 1991 Realignment funds. The State's reporting requirements are not consistent with the County's implementation of GASB 34, as it relates to revenue accrual. This is a revenue timing issue only as a result of delays by the State in distributing sales tax growth revenue.



**MENTAL HEALTH**

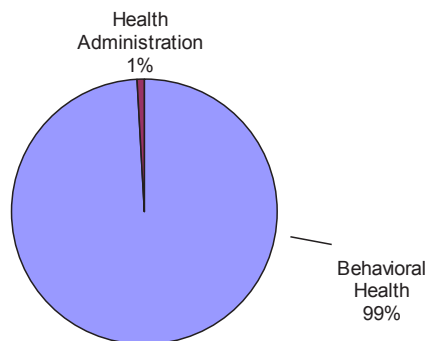
	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Beginning Fund Balance	39,912,103	47,364,635	47,364,635	55,890,919
Revenue	56,884,377	56,470,493	56,903,563	56,280,019
Prior Year Growth Revenue	511,662	-	1,057,687	-
Departmental Usage	49,943,507	56,026,577	49,434,965	59,382,343
10% Transfers	-	-	-	-
Ending Fund Balance	47,364,635	47,808,551	55,890,919	52,788,595
Change in Fund Balance	7,452,533	443,916	8,526,284	(3,102,324)

Revenues exceeded departmental usage in 2014-15 primarily due to a decrease in the number of clients requiring services without benefit of Medi-Cal or other coverage as a result of the implementation of the Affordable Care Act. This resulted in an increase in fund balance of \$8.5 million. Fund balance is budgeted to decrease by \$3.1 million in 2015-16 due to additional departmental usage for the expansion of clinic facilities and services to meet client needs.

Prior year growth revenue of \$1.1 million was received in 2014-15, which is available to fund one-time needs. Although prior year growth revenue is also expected to be received in 2015-16, it has not been included in the budget at this time due to the uncertainty of the amount and the timing of the actual receipt of the funds. Departmental usage will continue to be monitored closely to ensure that fund balance is maintained at adequate levels since the Mental Health 1991 Realignment has a fixed allocation.

**DEPARTMENTAL USAGE OF MENTAL HEALTH 1991 REALIGNMENT**

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Behavioral Health	49,785,925	55,456,371	48,748,215	58,860,940
Health Administration	157,582	570,206	686,750	521,403
Total Departmental Usage	49,943,507	56,026,577	49,434,965	59,382,343

2015-16 Adopted

### SOCIAL SERVICES

	ACTUAL 2013-14	FINAL BUDGET 2014-15	ACTUAL 2014-15	ADOPTED BUDGET 2015-16
Beginning Fund Balance	62,273,692	81,189,104	81,189,104	79,974,990
Revenue	102,391,288	100,745,583	94,909,884	100,576,259
Prior Year Growth Revenue	7,550,210	-	771,552	-
Departmental Usage	91,026,086	100,612,927	96,895,550	105,405,832
10% Transfers	-	-	-	-
Ending Fund Balance	81,189,104	81,321,760	79,974,990	75,145,417
Change in Fund Balance	18,915,412	132,656	(1,214,114)	(4,829,573)

Departmental usage exceeded revenues in 2014-15, resulting in a \$1.2 million decrease in fund balance. Departmental usage is budgeted to exceed revenues in 2015-16 primarily due to the addition of positions in Children and Family Services to service increased caseload levels, resulting in a decrease in fund balance of \$4.8 million.

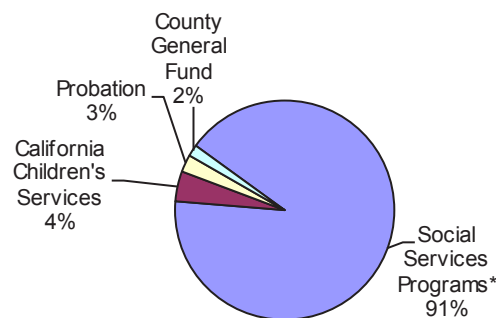
Social Services has priority claim on any 1991 Realignment sales tax growth received. Prior year growth revenue of \$771,552 was received in 2014-15, which is available to fund one-time needs. Although prior year growth revenue is expected in 2015-16, it has not been included in the budget at this time due to the uncertainty of the amount and the timing of the actual receipt of the funds. Departmental usage will continue to be monitored closely to ensure that fund balance is maintained at adequate levels, to mitigate potential operational impacts of sales tax fluctuations.

### DEPARTMENTAL USAGE OF SOCIAL SERVICES 1991 REALIGNMENT

	ACTUAL 2013-14	FINAL BUDGET 2014-15	ACTUAL 2014-15	ADOPTED BUDGET 2015-16
Social Services Programs*	86,602,991	91,427,151	90,097,280	96,220,056
California Children's Services	2,624,095	4,686,146	2,298,641	4,686,146
Probation	-	2,700,630	2,700,630	2,700,630
County General Fund	1,799,000	1,799,000	1,799,000	1,799,000
Total Departmental Usage	91,026,086	100,612,927	96,895,550	105,405,832

\* Social Services Programs include: Foster Care (AAB BHI), Administrative Claim matches (AAA DPA), Aid to Adoptive Children (AAB ATC), and Health Administration Support (AAA HCC).

2015-16 Adopted



**HEALTH**

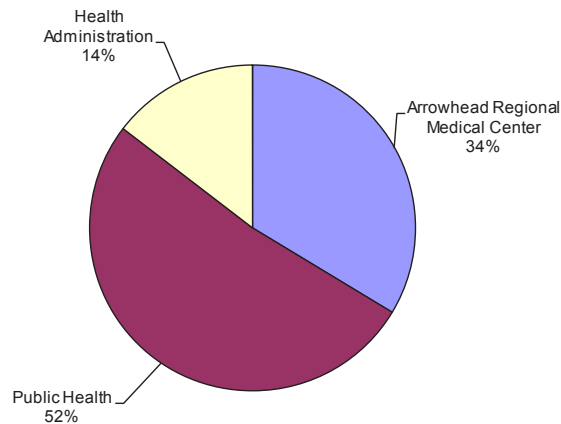
	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Beginning Fund Balance	106,916,066	68,011,436	68,011,436	100,177,482
Revenue	43,541,924	52,667,953	49,440,445	29,914,502
Prior Year Growth Revenue	3,135,394	-	1,590,371	-
Departmental Usage	85,581,948	38,662,816	18,864,769	31,392,834
10% Transfers	-	-	-	-
Ending Fund Balance	68,011,436	82,016,573	100,177,482	98,699,150
Change in Fund Balance	(38,904,630)	14,005,137	32,166,046	(1,478,332)

Revenues exceeded departmental usage in 2014-15, resulting in an increase in fund balance of \$32.2 million primarily due to no usage by ARMC as a result of the implementation of the Affordable Care Act. Revenues are projected to decrease in 2015-16 as a result of Assembly Bill 85 legislation which redirects health realignment to the State to fund social services programs due to the passage of the Affordable Care Act. Departmental usage is budgeted to exceed revenues in 2015-16, resulting in a decrease in fund balance of \$1.5 million.

Prior year growth revenue of \$1.6 million was received in 2014-15, which is available to fund one-time needs. Although prior year growth revenue is expected to be received in 2015-16, it has not been included in the budget at this time due to the uncertainty of the amount and the timing of the actual receipt of the funds. Departmental usage will continue to be monitored closely to ensure that fund balance is maintained at adequate levels to mitigate potential operational impacts of sales tax fluctuations.

**DEPARTMENTAL USAGE OF HEALTH 1991 REALIGNMENT**

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Arrowhead Regional Medical Center	71,889,439	18,455,792	-	10,561,681
Public Health	14,157,542	15,204,966	12,310,685	16,253,196
Health Administration	(465,033)	5,002,058	6,554,084	4,577,957
Total Departmental Usage	85,581,948	38,662,816	18,864,769	31,392,834

2015-16 Adopted

LAW ENFORCEMENT SERVICES
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	ACTUAL 2013-14	FINAL BUDGET 2014-15	ACTUAL 2014-15	ADOPTED BUDGET 2015-16
Beginning Fund Balance	24,122,966	26,295,636	26,295,636	30,808,259
Revenue	101,519,789	97,874,281	106,662,128	116,730,607
Prior Year Growth Revenue	14,935,209	0	6,652,222	0
Departmental Usage	114,282,328	120,669,560	108,801,727	120,115,160
Ending Fund Balance	26,295,636	3,500,357	30,808,259	27,423,706
Change in Fund Balance	2,172,670	(22,795,279)	4,512,623	(3,384,553)

2011 Realignment required each county to develop an implementation plan approved by the Local Community Corrections Partnership and the Board of Supervisors. Since the plan included a significant number of additional positions requiring extensive background checks, departments were unable to fully implement AB 109 programs as quickly as anticipated. As a result, a fund balance of \$26.3 million existed in the Law Enforcement Services budget unit at the beginning of 2014-15. Revenues exceeded departmental usage in 2014-15, resulting in an increase of \$4.5 million in fund balance. Departmental usage is budgeted to exceed revenues in 2015-16 due to the funding of various one-time needs, resulting in a decrease in fund balance of \$3.4 million.

Prior year growth revenue of \$6.7 million was received in 2014-15, which is available to fund one-time needs. Although growth revenue is expected to be received in 2015-16, it has not been included in the budget at this time due to the uncertainty of the amount and the timing of the actual receipt of the funds. Departmental usage will continue to be monitored closely to ensure that fund balance is at adequate levels. Fund balance will be used for one time needs and to establish reserves for sales tax volatility.

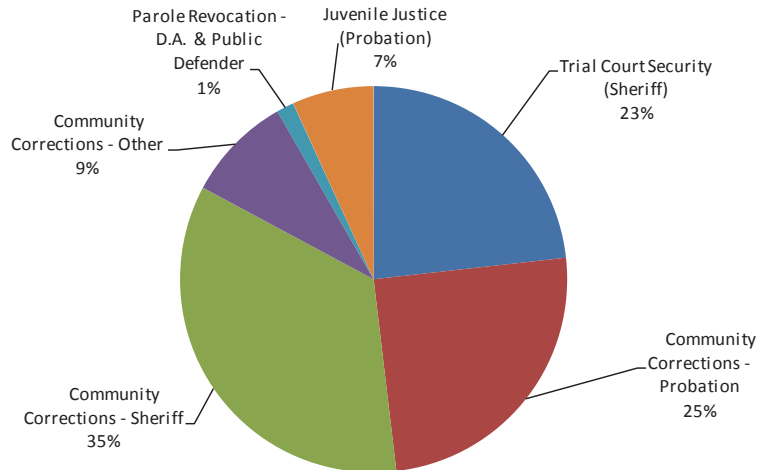
Departmental usage of 2011 Realignment funding for Law Enforcement Services is detailed in the table and chart on the following page.



## DEPARTMENTAL USAGE OF LAW ENFORCEMENT SERVICES 2011 REALIGNMENT

	ACTUAL 2013-14	FINAL BUDGET 2014-15	ACTUAL 2014-15	ADOPTED BUDGET 2015-16
Trial Court Security (Sheriff)	26,864,501	27,000,000	27,000,000	27,903,518
Community Corrections:				
Probation	33,089,832	42,806,912	31,786,968	29,909,524
Sheriff/Coroner/Public Administrator	35,704,940	32,175,892	30,291,339	41,695,857
District Attorney	2,843,626	3,051,151	2,843,626	3,036,570
Public Defender	2,169,610	2,169,593	2,057,454	2,330,391
Public Health	93,255	99,605	93,656	106,359
Aging and Adult Services	12,925	12,951	5,244	0
Behavioral Health	4,119,277	4,124,016	4,950,473	3,736,462
Alcohol and Drug Services	0	0	0	1,100,433
Workforce Development	192,506	182,000	151,876	211,854
Transitional Assistance	8,625	0	(8,235)	0
Human Resources	126,409	118,382	119,391	141,236
Subtotal Community Corrections	78,361,005	84,740,502	72,291,792	82,268,686
Parole Revocation:				
District Attorney	614,500	567,773	775,298	873,948
Public Defender	614,500	567,773	523,544	873,948
Subtotal Parole Revocation	1,229,000	1,135,546	1,298,842	1,747,896
Juvenile Justice (Probation):				
Youthful Offender Block Grant	7,683,512	7,683,512	8,095,257	8,050,060
Juvenile Reentry	144,310	110,000	115,836	145,000
Subtotal Juvenile Justice	7,827,822	7,793,512	8,211,093	8,195,060
Total Departmental Usage	114,282,328	120,669,560	108,801,727	120,115,160

## 2015-16 Adopted



<b>SUPPORT SERVICES</b>
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	ACTUAL 2013-14	FINAL BUDGET 2014-15	ACTUAL 2014-15	ADOPTED BUDGET 2015-16
Beginning Fund Balance	47,023	8,243,888	8,243,888	19,724,644
Revenue	129,170,689	144,093,619	144,918,932	152,423,797
Prior Year Growth Revenue	9,396,399	0	6,282,329	0
Departmental Usage	130,370,223	145,268,424	139,720,505	154,926,330
Ending Fund Balance	8,243,888	7,069,083	19,724,644	17,222,111
Change in Fund Balance	8,196,865	(1,174,805)	11,480,756	(2,502,533)

Revenues exceeded departmental usage in 2014-15, primarily due to greater attrition and delay in staffing within protective services departments that use realignment. Also, various subsistence budget units qualified for greater federal reimbursement thus reducing the need for realignment funding. This resulted in an increase in fund balance of \$11.5 million. Fund balance is budgeted to decrease by \$2.5 million in 2015-16 due to planned additional departmental usage for the expansion of child welfare services programs to meet client needs.

Prior year growth revenue of \$6.3 million was received in 2014-15 which is available to fund one-time needs. Although prior year growth revenue is expected to be received in 2015-16, it has not been included in the budget at this time due to the uncertainty of the amount and the timing of the actual receipt of the funds. Departmental usage will continue to be monitored closely to ensure that fund balance is at adequate levels. Fund balance will be used for one time needs and to establish reserves for sales tax volatility.

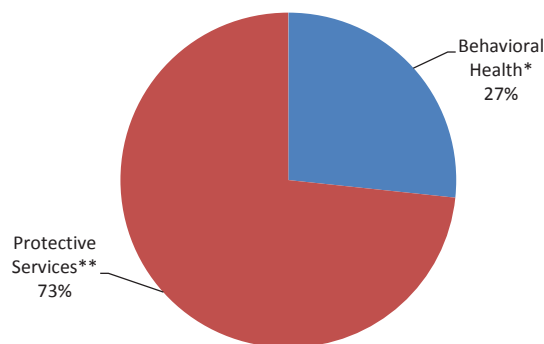
<b>DEPARTMENTAL USAGE OF SUPPORT SERVICES 2011 REALIGNMENT</b>
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	ACTUAL 2013-14	FINAL BUDGET 2014-15	ACTUAL 2014-15	ADOPTED BUDGET 2015-16
Behavioral Health*	33,922,670	37,614,135	38,063,526	41,347,604
Protective Services**	96,447,553	107,654,289	101,656,978	113,578,726
Total Departmental Usage	130,370,223	145,268,424	139,720,505	154,926,330

\*The Behavioral Health subaccount funds Drug Court and Rehabilitative Services.

\*\*The Protective Services subaccount funds Adult Protective Services, Foster Care Administration, Foster Care Assistance, Child Welfare Services, Aging & Adult Administration, Aging & Adult Assistance, Child Abuse Prevention, and Probation Programs for Juveniles.

2015-16 Adopted



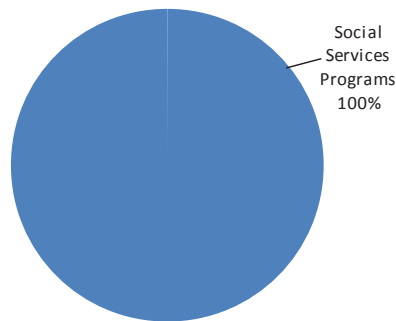
**CalWORKs MOE**

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Beginning Fund Balance	5,369,185	0	0	14,528,999
Revenue	52,316,452	92,884,985	107,759,942	123,340,301
Prior Year Growth Revenue	3,256,225	0	5,844,262	0
Departmental Usage	60,941,862	92,884,985	99,075,206	123,340,301
Ending Fund Balance	0	0	14,528,999	14,528,999
Change in Fund Balance	(5,369,185)	0	14,528,999	0

Funding for the CalWORKs MOE comes from both Sales Tax and Vehicle License Fee revenues. These revenues originally funded Mental Health programs but, as part of 2011 Realignment, the funds were redirected to CalWORKs. Typically, there is not expected to be any fund balance in this budget unit since amounts received are immediately transferred to the budget unit used for assistance payments to CalWORKs clients. However, revenues exceeded departmental usage in 2014-15, resulting in an increase in fund balance of \$14.5 million, primarily due to the timing of the State reconciliation process. The department anticipates returning the fund balance to the State at a later date.

**DEPARTMENTAL USAGE OF CalWORKs MOE REALIGNMENT**

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Social Services Programs	60,941,862	92,884,985	99,075,206	123,340,301
Total Departmental Usage	60,941,862	92,884,985	99,075,206	123,340,301

2015-16 Adopted

<b>FAMILY SUPPORT</b>
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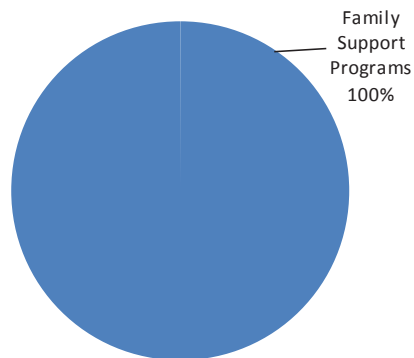
	ACTUAL 2013-14	FINAL BUDGET 2014-15	ACTUAL 2014-15	ADOPTED BUDGET 2015-16
Beginning Fund Balance	0	0	0	7,911,474
Revenue	6,994,825	66,829,650	96,099,726	76,336,129
Prior Year Growth Revenue	0	0	10,563,626	0
Departmental Usage	6,994,825	66,829,650	98,751,878	76,336,129
Ending Fund Balance	0	0	7,911,474	7,911,474
Change in Fund Balance	0	0	7,911,474	0

This budget unit was established in 2013-14 per California Welfare and Institutions Code 17600.10(a)(5). Funding for Family Support comes from counties' indigent health care savings that are redirected from counties' Health 1991 Realignment Subaccount and moved to the new Family Support subaccount at the State level. Funds are allocated to counties from the Family Support subaccount in lieu of State general fund for CalWORKs assistance payments. The distribution of funds is based on counties' CalWORKs general fund expenditures. Typically, there is not expected to be any fund balance in this budget unit since amounts received are immediately transferred to the budget unit used for assistance payments to CalWORKs clients. However, revenues exceeded departmental usage in 2014-15, resulting in an increase in fund balance of \$7.9 million, primarily due to the timing of the State reconciliation process. The department anticipates returning the fund balance to the State at a later date.

<b>DEPARTMENTAL USAGE OF FAMILY SUPPORT REALIGNMENT</b>
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	ACTUAL 2013-14	FINAL BUDGET 2014-15	ACTUAL 2014-15	ADOPTED BUDGET 2015-16
Family Support Programs	6,994,825	66,829,650	98,751,878	76,336,129
Total Departmental Usage	6,994,825	66,829,650	98,751,878	76,336,129

2015-16 Adopted



## **AUTOMATED SYSTEMS DEVELOPMENT**

The Automated Systems Development budget unit is a restricted general fund that was established in 2011-12 to fund the development, upgrade, and/or replacement of the County's Financial Accounting System (FAS), a core information technology system; and for other future developments.

The new FAS project is a countywide collaborative effort to replace the existing financial accounting system that was implemented over 20 years ago and does not provide either the efficiencies or information for managing County functions that modern systems provide. In 2011-12, the Board of Supervisors approved a \$6.0 million allocation of Discretionary General Funding to fund this project, and added an additional \$6.0 million mid-year. Although it hasn't been placed in this budget unit, an additional \$13.0 million has been set-aside in general fund reserves for this project. A Request for Information was released in July 2011 and the resulting information was utilized to prepare a scope of services. In 2012-13, the County contracted with the Government Finance Officers Association, which has a history of successful government accounting information system installations, to oversee the Request for Proposal process for the County. In 2013-14 the County released the Request for Proposal. Implementation of the new system is anticipated to start in 2015-16.

Requirements of \$11.8 million represent staffing and application development costs associated with the new FAS replacement project. Staffing expenses of \$1.7 million represents 12 new positions added in 2015-16 to assist Auditor-Controller/Treasurer/Tax Collector, Finance and Administration, and Information Services in the implementation and operation of the new system. Operating Expenses are increasing \$533,373 to fund start-up costs associated with the addition of staffing to the project. In this budget unit, Capital Expenditures represent funds that have not been allocated to a specific expenditure. In 2015-16, Capital Expenditures are decreasing \$2.3 million due to the budgeting of expenditures that have been identified for the start-up of the new system (staffing and operating expenses).

Below is a table detailing budgeted requirements for this unit in 2015-16.

<b>GROUP: Fiscal</b> <b>DEPARTMENT: Auditor-Controller/Treasurer/Tax Collector</b> <b>FUND: Restricted General</b>					<b>BUDGET UNIT: AAP CAO</b> <b>FUNCTION: General</b> <b>ACTIVITY: Finance</b>		
	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2014-15 Final Budget	2015-16 Adopted Budget	Change From 2014-15 Final Budget
<b>Requirements</b>							
Staffing Expenses	0	0	0	0	0	1,679,507	1,679,507
Operating Expenses	0	78,635	52,637	130,450	368,728	902,101	533,373
Capital Expenditures	0	0	0	0	11,500,000	9,226,054	(2,273,946)
Total Exp Authority	0	78,635	52,637	130,450	11,868,728	11,807,662	(61,066)
Reimbursements	0	0	0	0	0	0	0
Total Appropriation	0	78,635	52,637	130,450	11,868,728	11,807,662	(61,066)
Operating Transfers Out	0	0	0	0	0	0	0
Total Requirements	0	78,635	52,637	130,450	11,868,728	11,807,662	(61,066)
<b>Sources</b>							
Taxes	0	0	0	0	0	0	0
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	0	0	0	0
Fee/Rate	0	0	0	0	0	0	0
Other Revenue	0	0	0	0	0	0	0
Total Revenue	0	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0	0
Total Sources	0	0	0	0	0	0	0
Net County Cost	0	78,635	52,637	130,450	11,868,728	11,807,662	(61,066)
Budgeted Staffing*	0	0	0	0	0	12	12

\*Data represents final budgeted staffing



### **COUNTY DEBT POLICY**

The County has a separate policy that covers the issuance, management and administration of long term debt. The policy requires, in general, that:

1. Debt will not be used to finance ongoing operational costs.
2. Whenever possible, the County will pursue alternative sources of funding in order to minimize the level of debt.
3. That whenever practical, voter approval on the method of debt shall be utilized.

More specifically, the policy includes guidelines on the following elements:

1. The policy allows for the issuance of variable rate obligations to the extent that they do not exceed 25% of total debt outstanding.
2. The policy details the guidelines to be followed prior to the issuance of variable rate debt including feasibility, structure, and annual analysis to determine advisability of conversion to fixed rate debt.
3. The policy requires that the term of bonds be no longer than the economic useful life of the property, or in excess of available payment streams.
4. The policy requires annual review of the County's portfolio of long term obligations to initiate any type of restructuring, refunding, or refinancing beneficial to the County.
5. The policy outlines requirements for the investment of bond proceeds.
6. The policy outlines the responsibilities of the County's Debt Advisory Committee, which is a formal committee of the Board of Supervisors. These responsibilities include oversight and review of all debt policy and debt issuance activities and to make recommendations to the Board of Supervisors regarding appropriate actions on debt matters.

### **CASH FUNDED PROJECTS**

As detailed above, County policy requires prudent management of liabilities and, whenever possible, alternative sources of funding in order to minimize the level of debt. In the past several years, the County has satisfied certain portions of its capital needs without the issuance of long term debt. This includes the major projects listed below:

- The cash purchase of the High Desert Detention Center (formerly known as the Adelanto Adult Detention Facility). This project was completed in January 2006.
- The cash purchase and renovation of an office building in downtown San Bernardino. This project was completed in July 2007.
- The cash funding of a major remodel of the 6th floor of the Arrowhead Regional Medical Center (ARMC) to convert it from administrative space to a medical/surgery wing. This project was completed in October 2009.
- The cash funding of a new medical office building at the ARMC. This project was completed in September 2010.
- The cash funding of a new High Desert Government Center in Hesperia. This project was completed in October 2010.
- The cash funding of the new Central Valley Juvenile Detention and Assessment Center. This project was completed in February 2011.
- The cash funding of a Public Safety Operations Center at the High Desert Government Center. This project was completed in May 2013.



- The cash funding of the County's portion of the High Desert Detention Center Expansion which is funded by a combination of State grant monies and a County contribution. This project was completed in January 2014.
- The cash funding of the County Buildings and Acquisition and Retrofit Project (formerly named the Downtown Building Project) (in progress).
- The cash funding of the expansion and remodel of the Sheriff's Crime Lab (in progress).

### **COUNTY BUDGETING POLICY AS IT RELATES TO LONG TERM DEBT**

The County's Budgeting Policy includes policies related to long term debt of the County. These include:

1. Retirement System Funding - Requires that the Board first consider setting aside any savings related to negative Unfunded Accrued Actuarial Liability to fund a reserve for reduction of any existing pension obligation bonds or as a hedge against future interest rate increases.
2. Use of Variable Rate Interest Savings - Requires that when amounts budgeted for variable rate interest expense on long-term debt exceeds actual variable rate interest expense for the year, that such savings will be used in the succeeding fiscal year to reduce the outstanding principal of long-term debt. This applies only to debt service paid from discretionary revenue sources of the General Fund. It is normal for budgeted amounts to exceed actual amounts because debt covenants require conservative budgeting of variable rate interest expense.

Note: The County currently has no variable rate debt service that is paid from discretionary revenue sources of the General Fund. The County optionally redeemed all such certificates of participation in September 2010.

3. Use of Savings from Interest Rate Swap Agreements Associated with the Issuance of Debt - Requires that any County benefit realized on interest rate swap agreements, when there is a potential mismatch between swap payments and debt service payments, be retained as a contingency to offset the County's share of increases in debt service caused by the swap agreement. This contingency amount will not exceed \$5.0 million per interest rate swap agreement.

Note: The County currently has no interest rate swaps outstanding and has no plan to enter into an interest rate swap.



## **COUNTY LONG TERM DEBT**

The following discussion relates to long-term debt backed by the full faith and credit of the County's General Fund<sup>(1)</sup>. Other long term debt of County entities, such as that of the County's Flood Control District and the County's Special Districts, are found later in this section of the budget book.

The County's outstanding long term debt has been issued for the following purposes:

- To finance or refinance construction and improvement of County structures.
- To refinance County pension obligations.

The County finances such projects with a variety of debt instruments. For construction and improvement projects, the County has utilized lease obligations with a non-profit public benefit corporation. Such obligations are in the form of Certificates of Participation and, for the 2012 refinancing of the West Valley Detention Center, a Private Placement with a financial institution. For pension obligations, the County has issued Pension Obligation Bonds.

As of June 30, 2015, the County's long term obligations include debt issued to finance or partially finance the following projects:

- Construction and equipping of the ARMC,
- Construction of the West Valley Detention Center,
- Construction of the Foothill Law and Justice Center and hangars at the Chino Airport, and
- Refinancing of a portion of the County's Unfunded Accrued Actuarial Liability in the years 1995, 2004 and 2008.

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(1) In June of 2007 the County privately placed \$18.4 million of revenue bonds for Courthouse improvements. These bonds are secured solely by a surcharge on civil filings that is collected by the local courts. These bonds are not backed by the County's General Fund and are, therefore, not included in this discussion. For more information on the surcharge revenues see the 'Courthouse Seismic Surcharge' budget unit found in the Law and Justice section of this budget book.



County of San Bernardino  
Outstanding General Fund Certificates of Participation and Pension Obligation Bonds  
Budgetary Basis

Fiscal Year Ending June 30	Pension Obligation Bonds						Certificates of Participation		Private Placement		Total Outstanding General Fund Debt	Fiscal Year Ending June 30
	2008		2004		1995		2002		2012			
	Pension Obligation Bonds		Pension Obligation Bonds <sup>(1)</sup>		Pension Obligation Bonds		Justice Center Refunding		WVDC Refunding <sup>(2)</sup>			
	\$160,900,000		\$463,895,000		\$386,265,591		\$68,100,000		\$51,585,000			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2016	1,035,000	9,359,445	23,355,000	12,918,239	12,035,880	40,619,120	6,205,000	310,250	7,375,000	699,099	113,912,032	2016
2017	1,060,000	9,296,385	27,025,000	11,491,751	11,673,496	43,711,504			7,565,000	505,305	112,328,440	2017
2018	1,130,000	9,230,466	31,015,000	9,825,205	11,361,080	46,888,920			7,755,000	306,581	117,512,252	2018
2019	19,990,000	8,594,754	16,235,000	8,453,186	11,054,980	50,205,020			7,940,000	102,994	122,575,933	2019
2020	15,860,000	7,515,669	25,000,000	7,179,750	10,753,631	53,666,369			-	-	119,975,419	2020
2021	20,880,000	6,409,795	25,000,000	5,584,250	10,507,053	57,227,947			-	-	125,609,045	2021
2022	26,200,000	4,992,687	25,000,000	3,988,750	9,790,585	58,119,415			-	-	128,091,437	2022
2023	31,875,000	3,244,630	25,000,000	2,393,250	-	-			-	-	62,512,880	2023
2024	37,960,000	1,142,596	25,000,000	797,750	-	-			-	-	64,900,346	2024
2025	-	-	-	-	-	-			-	-	-	2025
2026	-	-	-	-	-	-			-	-	-	2026
2027	-	-	-	-	-	-			-	-	-	2027
2028	-	-	-	-	-	-			-	-	-	2028
2029	-	-	-	-	-	-			-	-	-	2029
Totals	155,990,000	59,786,426	222,630,000	62,632,129	77,176,704	350,438,296	6,205,000	310,250	30,635,000	1,613,979	967,417,784	Totals

(1) Debt schedules for variable rate issues are based on the estimated average interest rate at the time of issuance and do not reflect amounts budgeted for the 2015-16 fiscal year.

(2) West Valley Detention Center

#### Debt Service Budget Information:

The 1995, 2004 and 2008 Pension Obligation Bonds are budgeted in individual department budgets as a portion of salary and benefit expense.

The General Fund Certificates of Participation, and the Private Placement, are budgeted in the Administration Section of this budget book in the Capital Facilities Leases budget.



County of San Bernardino  
Outstanding Enterprise Fund Certificates of Participation  
Budgetary Basis

Certificates of Participation										
Fiscal Year Ending June 30	Arrowhead Refunding County Medical Center Series 2009 \$288,730,000		County Medical Center Series 1996 \$65,070,000		County Medical Center Series 1995 \$147,565,000		County Medical Center Series 1994 \$213,605,000		Total Outstanding Enterprise Fund Debt	Fiscal Year Ending June 30
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2016	11,905,000	12,203,638	445,000	3,129,844	4,225,000	743,113	4,695,000	5,634,738	42,981,331	2016
2017	12,445,000	11,605,400	465,000	3,105,956	4,505,000	459,388	4,965,000	5,369,088	42,919,831	2017
2018	13,090,000	10,972,838	490,000	3,081,500	4,815,000	156,488	5,235,000	5,088,588	42,929,413	2018
2019	24,405,000	10,035,463	515,000	3,056,375				4,944,625	42,956,463	2019
2020	25,685,000	8,774,650	545,000	3,029,875				4,944,625	42,979,150	2020
2021	15,015,000	7,711,050	570,000	3,002,000			12,180,000	4,518,325	42,996,375	2021
2022	16,330,000	6,860,250	600,000	2,972,750			12,570,000	3,746,350	43,079,350	2022
2023	17,165,000	5,985,113	630,000	2,942,000			13,290,000	3,035,200	43,047,313	2023
2024	32,355,000	4,718,766	665,000	2,909,625	-	-		2,669,725	43,318,116	2024
2025	34,065,000	3,016,753	695,000	2,875,625	-	-		2,669,725	43,322,103	2025
2026	22,935,000	1,541,794	735,000	2,839,875	-	-	13,060,000	2,343,225	43,454,894	2026
2027	17,900,000	469,875	7,120,000	2,643,500	-	-	13,725,000	1,673,600	43,531,975	2027
2028	-	-	24,030,000	1,864,750	-	-	13,675,000	1,005,694	40,575,444	2028
2029	-	-	25,280,000	632,000	-	-	14,335,000	340,456	40,587,456	2029
Totals	243,295,000	83,895,588	62,785,000	38,085,675	13,545,000	1,358,988	107,730,000	47,983,963	598,679,213	Totals

**Debt Service Budget Information:** The 1994, 1995, 1996 and 2009 Medical Center Certificates of Participation are budgeted in the Arrowhead Regional Medical Center section of this budget book in the Medical Center Lease Payments budget.

**Effects of Existing Debt Levels on Current and Future Operations**

Debt service on the Certificates of Participation and Pension Obligation Bonds referenced in the previous schedules will not negatively affect current or future operations of the County. In aggregate, current required debt service expenditures remain relatively level (increasing less than 4% per year) for all fiscal years through 2021-22 and then drop significantly in succeeding years.

**Other County Long Term Debt**

The County Library has a note payable to the California Infrastructure and Economic Development Bank for funds borrowed to finance the construction of a library in Apple Valley. This note is backed by the full faith and credit of the General Fund; however it is paid from and budgeted in the County Library budget, found in the Operations and Community Services section of this budget book. The outstanding principal amount of this note as of June 30, 2014, the last date for which audited information is available, was \$1,384,682. Annual debt service on this obligation is approximately \$109,000 per year through fiscal year 2030-31.



**FLOOD CONTROL DISTRICT LONG TERM DEBT**

The following discussion relates to the long term debt of the County's Flood Control District. As of June 30, 2015, the County's Flood Control District's (District) outstanding long term obligations include debt issued for the following purposes:

- To pay the District's obligation under a settlement agreement relating to an inverse condemnation action against the District.
- To refinance a loan from the United States Bureau of Reclamation for the construction of the San Sevaine Creek Water Project.

The District financed these obligations with Judgment Obligation Bonds and Refunding Bonds.

County of San Bernardino  
Outstanding Flood Control District Judgment Obligation Bonds and Refunding Bonds  
Budgetary Basis

Fiscal Year Ending June 30	Judgment Obligation Bonds				Refunding Bonds		Total Outstanding District Debt	Fiscal Year Ending June 30
	2007		2008		2007			
	Series A		Refunding Remarketing		Refunding Bonds			
	\$58,355,000		\$37,295,000		\$23,845,000			
	Principal	Interest	Principal	Interest	Principal	Interest		
2016	2,435,000	1,955,644		1,810,879	1,815,000	650,000	8,666,523	2016
2017	2,530,000	1,858,244		1,806,736	1,910,000	559,250	8,664,230	2017
2018	2,630,000	1,757,044		1,808,808	2,010,000	463,750	8,669,601	2018
2019	2,735,000	1,651,844		1,808,808	2,115,000	363,250	8,673,901	2019
2020	2,820,000	1,528,769		1,810,879	2,230,000	257,500	8,647,148	2020
2021	2,985,000	1,401,869		1,806,736	2,920,000	146,000	9,259,605	2021
2022	3,115,000	1,271,275		1,808,808			6,195,083	2022
2023	3,255,000	1,131,100		1,808,808			6,194,908	2023
2024	3,405,000	984,625		1,810,879			6,200,504	2024
2025	3,520,000	831,400		1,806,736			6,158,136	2025
2026	3,715,000	673,000		1,808,808			6,196,808	2026
2027	3,900,000	487,250		1,808,808			6,196,058	2027
2028	4,095,000	292,250		1,810,879			6,198,129	2028
2029	1,750,000	87,500	1,915,000	1,806,736			5,559,236	2029
2030			3,815,000	1,715,930			5,530,930	2030
2031			3,935,000	1,530,903			5,465,903	2031
2032			4,135,000	1,341,590			5,476,590	2032
2033			4,355,000	1,138,202			5,493,202	2033
2034			4,490,000	928,290			5,418,290	2034
2035			4,675,000	710,525			5,385,525	2035
2036			4,885,000	484,342			5,369,342	2036
2037			5,090,000	246,582			5,336,582	2037
Totals	42,890,000	15,911,813	37,295,000	33,419,669	13,000,000	2,439,750	144,956,232	Totals

**Debt Service Budget Information:**

The Judgment Obligation Bonds and Refunding Bonds are budgeted in the District's budget as a portion of operating expenses.

The District's budget is found in the Operations and Community Services section of this budget book in the Public Works, Flood Control District budget.



**Effects of Existing Debt Levels on Current and Future Operations**

Debt service on the Judgment Obligation Bonds and Refunding Bonds referenced in the previous schedule will not negatively affect current or future operations of the District. In aggregate, current required debt service expenditures remain level for all fiscal years through 2020-21, and then drop by nearly 30% as a result of the scheduled maturity of the 2007 Refunding Bonds.

**Other Flood Control Long Term Debt**

The District owes \$3.0 million to the United States Army Corps of Engineers for the construction of the San Timoteo Creek Project. The District has agreed to pay the loan with accrued interest upon completion of the project over a twenty year period. It is anticipated that the project will be completed in 2017.



## **SPECIAL DISTRICTS DEPARTMENT LONG TERM DEBT**

The following discussion relates to long term debt of the County's Special Districts (Districts). The Districts' outstanding long term debt has primarily been issued to finance or refinance construction and improvements in County service areas. The Districts' finance such projects with general obligation bonds and notes. As of June 30, 2015, the Districts' long term obligations include debt issued to finance or partially finance:

- Sewer and water facilities/systems
- Road improvements

The Special Districts have financed projects using general obligation bonds, and for the 2006 note for CSA 70-Zone G (Wrightwood), a loan from a private financial institution, and for the CSA 70 – Zone J (Oak Hills), a loan from the California Infrastructure and Economic Development Bank.

### **County of San Bernardino Special Districts' Outstanding General Obligation Bonds and Notes Payable Budgetary Basis**

Fiscal Year Ending June 30	General Obligation Bonds		Notes Payable				Total Outstanding District Debt	Fiscal Year Ending June 30
	CSA 70 - Zone W-1 (EES)		CSA 70 - Zone G		CSA 70 - Zone J			
	Landers Water		Wrightwood		Oak Hills			
	1979 Issue		2006 Issue		2003 Issue			
	\$1,540,000		\$724,000		\$2,269,521			
	Principal	Interest	Principal	Interest	Principal	Interest		
2016	75,000	16,750	91,898	7,502	62,075	47,635	300,860	2016
2017	80,000	13,000	47,064	1,536	63,993	45,688	251,281	2017
2018	85,000	9,000	-	-	65,970	43,680	203,650	2018
2019	95,000	4,750	-	-	68,008	41,610	209,368	2019
2020	-	-	-	-	70,110	39,477	109,587	2020
2021	-	-	-	-	72,276	37,277	109,553	2021
2022	-	-	-	-	74,510	35,009	109,519	2022
2023	-	-	-	-	76,812	32,671	109,483	2023
2024	-	-	-	-	79,186	30,261	109,447	2024
2025	-	-	-	-	81,632	27,776	109,408	2025
2026	-	-	-	-	84,155	25,214	109,369	2026
2027	-	-	-	-	86,755	22,574	109,329	2027
2028	-	-	-	-	89,436	19,852	109,288	2028
2029	-	-	-	-	92,199	17,046	109,245	2029
2030	-	-	-	-	95,048	14,153	109,201	2030
2031	-	-	-	-	97,985	11,170	109,155	2031
2032	-	-	-	-	101,013	8,095	109,108	2032
2033	-	-	-	-	104,135	4,926	109,061	2033
2034	-	-	-	-	107,352	1,659	109,011	2034
Totals	335,000	43,500	138,962	9,038	1,572,650	505,773	2,604,923	Totals

#### **Debt Service Budget Information:**

The CSA 70 Zone W-1 debt service is paid directly from the property taxes assessed for this purpose, and is, therefore, not included in the District's budget.

The CSA 70 Zone G debt service is budgeted in the Special Districts Department section of this budget book in the Road Districts Special Revenue Funds – Consolidated budget (Fund SLK).



The CSA 70 Zone J debt service is budgeted in the Special Districts Department section of this budget book in the Water Districts Enterprise Funds – Consolidated budget (Fund ECA).

**Effects of Existing Debt Levels on Current and Future Operations**

Debt service on the Districts' debt referenced in the previous schedule will not negatively affect current or future operations.

**Other Special Districts Long Term Debt**

There are various general obligation bonds for Special Districts that have matured but have not yet been redeemed by bondholders. These bearer coupon bonds will be paid from a reserve fund at such time the bonds are presented for redemption.



**LEGAL DEBT LIMIT**

The County's legal debt limit, which applies only to General Obligation Bonds, is 1.25% of Assessed Valuation. As of June 30, 2014, the last date for which audited information on outstanding debt is currently available, the County's Debt limit and legal debt margin were calculated as follows:

<b>Fiscal Year</b>	<b>Assessed Valuation</b>	<b>Legal Debt Limit</b>	<b>Bonded Debt</b>	<b>Legal Debt Margin</b>
2013-14	171,925,914	2,149,074	845	2,148,229

Amounts in thousands

Source: San Bernardino County Comprehensive Annual Financial Report for the year ended June 30, 2014

The County General Fund and the County Flood Control District have no outstanding General Obligation Bonds. The Debt referred to in the table above is the debt of the County's Special Districts Department.

**DEBT PER CAPITA**

<b>Governmental Activities</b>						
<b>Fiscal Year</b>	<b>Certificates of Participation</b>	<b>Revenue Bonds</b>	<b>Bonds and Notes</b>	<b>Capital Lease Obligation</b>	<b>Other Long Term Liabilities</b>	<b>Total Governmental Activities</b>
2013-14	\$18,006	380,119	541,030	314	3,000	\$942,469
<b>Business Type Activities</b>						
<b>Fiscal Year</b>	<b>Certificates of Participation</b>	<b>General Obligation Bonds</b>	<b>Notes</b>	<b>Capital Lease Obligation</b>		<b>Total Business Type Activities</b>
2013-14	\$443,979	845	1,633	8,434		\$454,891
<b>Total Outstanding Debt</b>						
<b>Fiscal Year</b>	<b>Certificates of Participation</b>	<b>Bonds</b>	<b>Notes</b>	<b>Capital Lease Obligation</b>	<b>Other Long Term Liabilities</b>	<b>Total Outstanding Debt</b>
2013-14	\$461,985	380,964	542,663	8,748	3,000	\$1,397,360
<b>Debt Per Capita</b>						
<b>Fiscal Year</b>	<b>Total Outstanding Debt</b>	<b>Population</b>	<b>Debt Per Capita</b>			
2013-14	\$1,397,360	2,085	\$670			

Amounts in thousands (except per capita)

Source: San Bernardino County Comprehensive Annual Financial Report for the year ended June 30, 2014



## CALIFORNIA GOVERNMENT CODE

Government Code Sections 29000 through 29144 and Section 30200 provide the statutory requirements pertaining to the form and content of the State Controller's prescribed Line-Item Budget. Government Code Section 29009 requires a balanced budget in the recommended, adopted, and final budgets, defined as "the funding sources shall equal the financing uses".

## COUNTY CODE

Title 1. Division 2. Chapter 2:

Section 12.0201:

On November 2, 2010, the County Code was amended to establish the position of Chief Executive Officer.

Section 12.0203:

The Chief Executive Officer shall be appointed by and serve at the pleasure of the Board of Supervisors.

Section 12.0206:

Under the supervision of the Board of Supervisors, and subject to the approval and direction and control thereof, the Chief Executive Officer shall be responsible for the performance of such duties and ministerial functions as may be placed in his or her charge by the Board of Supervisors, and in connection therewith, shall report to the Board from time to time the status and enforcement of the Board's policies, rules, and regulations. The Chief Executive Officer shall, among others:

- Act as the primary administrative advisor to the Board of Supervisors on all matters relating to the efficient and economical administration of county government.
- Provide budgetary, fiscal, and administrative support, oversight, and direction as it pertains to Board of Supervisors' policy and procedures for all elected and all Board of Supervisor appointed department heads and their agencies and departments.
- Supervise, in cooperation with the County Auditor, the preparation of the annual County Budget. In the performance of this duty, the Chief Executive Officer shall review all departmental and agency requests and all items in the recommended budget, including revenues, expenditures, and reserves. He or she shall submit his or her recommended budget to the Board of Supervisors.
- Review all departmental and agency requests for adjustments and transfers of appropriations from contingencies and among budget units and make recommendations on them to the Board of Supervisors.

Section 12.0211:

Pursuant to Government Code § 29125, the Board of Supervisors designates the Chief Executive Officer as the County officer with the authority to approve, with respect to an adopted budget, any transfers and revisions of appropriations, objects, and sub-objects within a budget unit.

## BASIS OF ACCOUNTING

Governmental fund types are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain State and federal grants and charges for services are accrued if their receipt occurs within sixty days after the end of the accounting period, and recognized as revenue.

Expenditures are generally recorded when a liability is incurred as under accrual accounting. Exceptions to this general rule include the following: principal and interest on long-term debt is recognized when due; prepaid expenses are reported as current period expenditures rather than allocated; and accumulated unpaid vacation, sick leave and other employee benefits are reported in the period due and payable, rather than in the period earned by employees.

Proprietary fund types are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred.



## BASIS OF BUDGETING

### Governmental Funds:

An operating budget is adopted each fiscal year for the governmental fund types in accordance with provisions of the County Budget Act. The County's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared using generally accepted accounting principles (GAAP). Budgets for the governmental fund types are adopted with the following differences from GAAP:

Encumbrance accounting is employed in governmental funds. For budget purposes, outstanding encumbrances (which represent the unspent amounts of purchase orders and contracts funded in the fiscal year), are treated as expenditures in that fiscal year. This affects only the "actual" data that appears in that budget book. For GAAP purposes, in the governmental fund financial statements of the CAFR, encumbrances outstanding at year-end are reported within restricted, committed, or assigned fund balance for their specific purposes, respectively. Appropriation for these encumbrance commitments survives the expiration of the fiscal year to the extent that encumbrances exist. Encumbrances cancelled subsequent to the end of the fiscal year also cancel the underlying appropriation.

On a budgetary basis, unrealized gains and losses on the fair value of investments are not recognized. For GAAP purposes, such gains or losses are recognized.

### Proprietary Funds:

The Board of Supervisors approves an annual spending plan for proprietary funds. Although the adopted expense estimates are not appropriation, these County funds have budgetary controls the same as those for the governmental fund types. Because these funds collect fees and revenues generally to cover the cost of the goods and services they provide, their accounting and budgeting bases are closer to commercial models. Budgeting, like accounting, is done on the accrual basis and generally according to GAAP.

## COUNTY POLICIES

When building the 2015-16 budget, the following County policies were considered:

### BUDGETING POLICY

The objective of the Budgeting Policy is to help ensure the County has adequate resources to meet its basic financial obligations, and to serve as a vehicle to help the County achieve financial continuity and stability. This policy will serve as a guide when preparing budget plans and quarterly budget reports for Board of Supervisors approval.

#### Balanced Budget

To obtain a balanced budget, total revenues, including carry-over fund balances, will equal the total fund appropriation and reserves. The annual operating budget will be structurally balanced upon adoption by the Board of Supervisors. One-time funds will not be used to fund ongoing operational costs, except within the context of a larger plan to balance ongoing revenues and expenses over a multi-year period, as detailed under "Use of One-Time Funding Sources". Significant budget variances and recommended actions will be reported to the Board of Supervisors on a quarterly basis.

#### Long Range Planning

As part of the annual budget process, the County will prepare a multi-year forecast of financial operations for the General Fund. This forecast includes changes in costs to maintain current service levels and costs related to new programs or program enhancements. The County will project major revenues and expenditures of the General Fund, and report significant findings and recommendations to the Board of Supervisors.

#### Appropriation Changes

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the appropriation unit level (i.e., salaries and benefits, services and supplies, fixed assets, etc.) within budget units. Departments are expected to maintain expenditures within their budget authority as adopted by the Board of Supervisors. Any increase in appropriation in a budget unit after adoption of the budget shall be included in the



quarterly budget reports and must be approved by a four-fifths vote of the Board of Supervisors. Transfers of appropriation within the same budget unit may be approved by the County Administrative Office depending upon the appropriation unit, unless noted below:

**Transfers of Salaries and Benefits Appropriation:**

- Transfers out require Board of Supervisors approval and are included in a quarterly budget report.

**Transfers of Fixed Asset Appropriation:**

- Transfers in and out among the different fixed asset appropriation units are approved by the County Administrative Office as long as the total fixed asset appropriation does not increase.
- Transfers out of Fixed Asset Appropriation-
  - Transfers out increasing a non-fixed asset appropriation unit within individual Capital Improvement Program (CIP) project budgets are approved by the County Administrative Office as long as the total project budget does not increase.
  - Transfers out increasing a non-fixed asset appropriation unit are required to be included in the quarterly budget reports for Board of Supervisors approval, except within the CIP, as detailed above.
- Transfers in of Fixed Asset Appropriation-
  - Transfers in from a non-fixed asset appropriation unit to fund a unit value less than \$10,000 may be approved by the County Administrative Office.
  - Transfers in from a non-fixed asset appropriation unit to fund a unit value of \$10,000 or more are required to be included in the quarterly budget reports for Board of Supervisors approval.

**Transfers impacting Operating Transfers Out Appropriation:**

- Any changes to Operating Transfers Out are required to be included in the quarterly budget reports for Board of Supervisors approval.

**Use of One-Time Funding Sources**

The appropriation of carry-over fund balances and other one-time funding sources must be managed with care. These sources are most appropriately used to fund one-time expenses such as capital expenditures, start-up costs for new programs, or to supplement the general purpose reserve to attain the 20% target level as defined in the County's "Fund Balance and Reserve Policy". A goal is to invest one-time monies in a way that increases ongoing revenues and/or reduces ongoing expenses.

It is the policy of the County that one-time funds will not be used to finance ongoing operational costs, except within the context of a larger plan to balance ongoing revenues and costs over a multi-year period. Such a plan could involve short-term use of one-time funds to preserve essential public services where longer-term financial forecasts demonstrate the near-term future potential for ongoing revenues to fund those services.

**Revenue Forecasting**

Because of the complexity of the County budget, realistic projections of revenue are crucial to accurate budgeting. Revenue forecasting will be undertaken annually through a review of local historical revenue trends and analysis of federal, State, and local economic projections. Especially in regard to those revenues that tend to be most volatile and sensitive to changes in the economy, forecasting will involve analysis of economic, demographic, business cycle and other factors that might impact those revenues. These unpredictable revenues, including, but not limited to interest income and fees, will be estimated and budgeted conservatively. Revenue forecasts will not be based on straight-line assumptions.

**Property Tax Revenue Stabilization**

The County's discretionary revenue primarily comes from property taxes. Revenue growth rates can vary dramatically from year to year due to fluctuations in the economy and housing market. These fluctuations can result in insufficient revenue growth to fund increases in required governmental services during slow economic periods. This policy expands on the current policy of establishing ongoing set-aside contingencies for future County needs by appropriating anticipated property tax revenue growth, in excess of the lesser of 8% or of the average annualized rate of growth of actual revenues, to an ongoing revenue stabilization set-aside contingency. This ongoing revenue stabilization set-aside contingency will be made available for allocation in years when



property tax revenue is anticipated to increase at a rate less than the average annualized rate of growth of actual revenues. For purposes of this paragraph, property tax revenue is defined as Current Secured (the current 1% general tax levy on locally assessed secured property on the assessment roll) and VLF/Property Tax Swap (the County's "vehicle license fee adjustment amount" as defined in Section 97.70 of the Revenue and Taxation Code) received by the County General Fund. The average annualized rate of growth of actual revenues will be calculated using the most recent fifteen years' worth of data.

Any unspent money from this ongoing revenue stabilization contingency set-aside in a given year will be used to prepay or defease debt in the subsequent year, fund large County projects, supplement reserves or fund any other one-time costs the Board of Supervisors may direct.

#### Prop 172 Revenue Stabilization

The County's Prop 172 Sales Tax revenue can only be used for local public safety activities and is allocated to the Sheriff/Coroner/Public Administrator, District Attorney and Probation Departments. Revenue growth rates can vary dramatically from year to year due to fluctuations in the economy and retail spending. These fluctuations can result in insufficient revenue growth to fund increases in required public safety activities. When this occurs, the County General Fund may temporarily allocate financial resources away from other important County programs as a backfill to offset the Prop 172 revenue shortfall. The County will set-aside any Prop 172 revenue in excess of the lesser of 8% or of the average annualized rate of growth of actual revenues, to an ongoing Prop 172 revenue stabilization set-aside contingency. This ongoing Prop 172 revenue stabilization set-aside contingency will only be used to fund Prop 172 base restoration or the cost to maintain current services in years when Prop 172 revenue is anticipated to increase at a rate less than the average annualized rate of growth of actual revenues. The average annualized rate of growth of actual revenues will be calculated using the most recent fifteen years' worth of data.

Any one-time unspent money from this ongoing Prop 172 revenue stabilization contingency set-aside or other available one-time Prop 172 amounts that fall into fund balance at the end of the fiscal year will be used as follows: first, to reduce the amount contributed by the County General Fund from its discretionary revenue sources until such time as the prior General Fund backfills of Prop 172 shortfalls are recouped, and second, to address one-time costs for public safety activities.

#### Encumbrances

An encumbrance is not an actual expenditure or a liability but merely a reserve of budgetary appropriation in a given fiscal year. Expenditures and/or liabilities are recorded when, and if, goods are actually provided or services are actually rendered. Encumbrances will remain in the originating year for multi-year non-recurring projects, grant funded projects, purchase of fixed assets with extensive leave time, and projects deemed necessary by the County Administrative Office. Each December, departments are required to justify previous fiscal year's encumbrances and either cancel the encumbrance or roll forward the encumbrance. If the department decides to roll forward the encumbrance, the amount to be spent in the new fiscal year must be re-budgeted as an appropriation and therefore use new fiscal year funding sources.

#### Program Efficiency and Performance Measurement

Efficiency and economy in the delivery of County services is a top priority. The County integrated performance measures within the budget. County departments will be encouraged to make productivity improvements within their service delivery areas.

#### Retirement System Funding

Careful management of financial resources to pay retirement costs is critical to the County's long-term financial health. Accordingly, for any savings resulting from negative Unfunded Accrued Actuarial Liability (UAAL) contribution rates, the Board of Supervisors will first consider setting aside these savings in a reserve for reduction of any existing pension obligation bonds or as a reserve against future rate increases.

#### Risk Management Self-Insurance Funds

The County will maintain an 80% confidence level in all Risk Management self-insurance funds as determined by a yearly actuarial study.



Grant Funding

The County will aggressively pursue opportunities for federal, State or local grant funding including private foundations. An aggressive policy of pursuing opportunities for federal or State grants provides citizens with the assurance that the County is striving to obtain all State and federal funds to which it is entitled – thereby reducing dependence on local taxpayers' funds. However, prior to applying for, and accepting such intergovernmental aid, the County will consider the current and future implications of either accepting or rejecting the grant. That consideration shall include: 1) the amount of matching local funds required; 2) in-kind services to be provided; 3) length of grant, and whether the County is required to continue the service after the grant has ended; and 4) related operating expenses. The County shall also assess the merits of any individual grant program as if it were funded with local tax dollars.

Use of Variable Rate Interest Savings

Covenants in debt instruments require conservative budgeting of variable rate interest expense. When amounts budgeted for variable rate interest expense for such debt instruments exceed actual interest expense for the year, such savings will be used in the succeeding fiscal year to reduce the total outstanding principal amount of long-term debt. This policy will apply only to interest savings/debt instruments that are paid from discretionary revenue sources of the County's General Fund.

Use of Savings from Interest Rate Swap Agreements Associated with the Issuance of Debt

It is the policy of the Board that any benefit realized on interest rate swap agreements where the swap payment received by the County and the actual debt service payment due from the County are not equal per the terms of the swap agreement, be retained as a contingency to offset the County share of any future increases in debt service caused by the swap agreement. This contingency amount will not exceed \$5.0 million dollars per interest rate swap agreement. The contingency will be retained in the fund that is responsible for payments under the swap.

Intent to Recover Full Cost of Service

The full cost of service should be calculated for all County services to provide a basis for setting fees or charges. Full cost should include direct and indirect costs. This calculation shall be reviewed and updated annually.

**CONTINGENCY POLICY**

The objective of the Contingency Policy is to help protect the County from unforeseen increases in expenditures or reductions in revenues, or from extraordinary events that might otherwise substantially harm the fiscal health of the County. In so doing, it is also intended to help avoid undue service level fluctuations during periods of economic instability. This policy will serve as a guide when preparing budget plans and quarterly budget reports for Board of Supervisors approval.

General Fund – Mandatory Contingencies

The County will maintain an appropriated contingency in the General Fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting the County's operations that could not have been reasonably anticipated at the time the budget was prepared. Funding shall be targeted at no less than 1.5% of locally funded appropriation. Locally funded appropriation are those funded by Countywide discretionary revenue, such as unrestricted property tax, sales tax, interest income, and other revenues not linked to specific programs, and by ongoing operating transfers in. In the event the locally funded appropriation declines from the previous year, the mandatory contingencies shall have no downward adjustments.

General Fund – Ongoing Set-Aside Contingencies

Ongoing set-aside contingencies represent ongoing sources of funding that have been targeted for future debt obligations or planned future ongoing program/operational needs. Set-asides are appropriated as contingencies and approved during the formal adoption of the budget. Any balance of such contingency set-asides remaining at the end of the fiscal year shall be transferred into a corresponding General Fund reserve account as of June 30.

General Fund – Uncertainties Contingencies

Any unallocated funding available from current year sources (both ongoing and one-time) that has not been set aside and any unassigned fund balance carried over from the prior year, will be budgeted as Uncertainties



Contingencies. The use of these contingencies requires prior approval by the County Administrative Office before obtaining approval by the Board of Supervisors. The County Administrative Office will only recommend uses as a last resort, and only if the requesting department: 1) has no other unanticipated sources of funding to appropriate, and 2) has no other appropriation within its own budget unit to cover the budget overrun, and 3) has no appropriation available in another fund that it controls that can be legally applied to cover the budget overrun.

#### Restricted Fund – Prop 172-Contingencies

Restricted Proposition 172 sales tax revenues are used solely for public safety programs. The County has allocated using the funds solely for funding the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departmental programs. The County will maintain an appropriated contingency to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting this restricted funding stream that could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency for the Prop 172 fund shall be targeted at no less than 10% of the current year's budgeted Prop 172 revenue. Said contingencies shall be budgeted at the 10% level separately for each department receiving Prop 172 revenues.

#### Restricted Funds – Realignment – Contingencies

Restricted Realignment funds from dedicated sales tax and vehicle license fee revenue are used in funding mental health, social services and health programs within the County. The County will maintain an appropriated contingency within these funds to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting these restricted funds which could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency for Realignment funds shall be targeted at no less than 10% of the current year's budgeted Realignment revenues. Said contingencies shall be budgeted at the 10% level separately for each program receiving Realignment revenues.

#### Master Settlement Agreement Fund – Contingencies

Master Settlement Agreement funds from the tobacco settlement lawsuit are used to fund health related expenditures. The County will maintain an appropriated contingency within the Master Settlement Agreement fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting this fund that could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency within this Master Settlement Agreement Fund shall be targeted at no less than 10% of the current year's budgeted Master Settlement Agreement revenues.

### **FUND BALANCE AND RESERVE POLICY**

The objective of the Fund Balance and Reserve Policy is to help ensure the County maintains a minimum level of unassigned fund balance designated as General Purpose reserve to meet seasonal cash flow shortfalls, revenue shortfalls, unanticipated expenditures, economic downturns or a local disaster. The policy also addresses the circumstances under which unassigned fund balance can be "spent down" and how the unassigned fund balance will be replenished if it falls below the established minimum.

#### General Fund – New Classification of Fund Balance (Per the Government Accounting Standards Board-GASB)

Previously the fund balance in the General Fund was classified as Reserved and Unreserved (delineated further as designated and undesignated) for accounting purposes. Reserved fund balance is legally restricted funds established for a future specific use and is not available for general appropriation. Unreserved/designated fund balance has been set-aside by the Board of Supervisors for a specific purpose. Unreserved/undesignated fund balance is available for those uses the Board deems necessary and is typically described as "fund balance available for appropriation" in budget reports.

GASB has issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. This statement is effective for financial statements with periods beginning after June 15, 2010. Therefore, effective the fiscal year beginning July 1, 2010, the above classifications will be replaced with five new categories: nonspendable, restricted, committed, assigned, and unassigned. Although only the General Fund is addressed in this policy, Statement No. 54 applies to the Special Revenue, Debt Service, Capital Project and Permanent funds as well. The fund balance will be reported in the following five new categories, representing a hierarchy in most restrictive (1) to least restrictive (5):



1. **Nonspendable Fund Balance:** Amounts cannot be spent because they are: (a) not in spendable form or (b) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form. These fund balance amounts are automatically recorded each year by the Auditor-Controller/Treasurer/Tax Collector to match the balances of the associated balance sheet account codes. No Board action is required to change these amounts.
2. **Restricted Fund Balance:** Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource provider.
3. **Committed Fund Balance:** Amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board.
4. **Assigned Fund Balance:** Amounts constrained by the government's intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the body or official to which the governing body has delegated the authority, i.e. the County Administrative Office.
5. **Unassigned Fund Balance:** The General Fund, as the principal operating fund, often will have net resources in excess of what can properly be classified in one of the four categories already described. Therefore, in order to calculate unassigned fund balance, total fund balance less nonspendable, restricted, committed, or assigned equals unassigned fund balance. This amount is available for any purpose and will be placed in either the General Purpose Reserve, General Fund – Mandatory Contingencies or the General Fund - Uncertainties Contingencies until allocated for a specific purpose by the Board, by a four-fifths vote.

#### Unassigned Fund Balance – General Purpose Reserve

An adequate amount of General Purpose Reserve is essential to the financial strength and flexibility of the County. The General Purpose Reserve has no identified contingent liability or specific future use. It is intended for unanticipated major emergencies; to allow a transition period when key economic indicators point to recession likely to substantially reduce County revenues and increase safety net expenditures; and to ensure the County's ability to make debt service payments in periods of declining general purpose revenues. The County shall establish an unassigned fund balance designated as General Purpose Reserve for the General Fund targeted at 20% of locally funded appropriation based on adopted budget. Locally funded appropriation are those funded by Countywide discretionary revenue, such as unrestricted property tax, sales tax, interest income, and other revenues not linked to specific programs, and by ongoing operating transfers in. The unassigned fund balance designated as General Purpose Reserve shall be built up with one-time sources until the established target is achieved. In the event the locally funded appropriation declines from the previous fiscal year, the General Purpose Reserve shall have no downward adjustments. Increases to the General Purpose Reserve generally are only made once at the beginning of the fiscal year.

#### Unassigned Fund Balance – Mandatory Contingencies

The County shall also maintain Mandatory Contingencies at a minimum of 1.5% of locally funded appropriation based on adopted budget. The amount needed to fund the Mandatory Contingencies for the succeeding fiscal year will be categorized as unassigned fund balance. In the event the locally funded appropriation declines from the previous fiscal year, the Mandatory Contingencies shall have no downward adjustments. Increases to the Mandatory Contingencies generally are only made once at the beginning of the fiscal year.

#### Unassigned Fund Balance – Uncertainties Contingencies

The remaining unassigned fund balance amount not allocated to the General Purpose Reserve or Mandatory Contingencies will be included in Uncertainties Contingencies.



Unassigned Fund Balance Spend Down

Use of unassigned fund balance will be limited to nonrecurring expenditures, debt reduction, one-time capital costs or emergency situations (such as economic conditions or natural disasters). The County generally will use the Uncertainties Contingencies first, then the Mandatory Contingencies and finally the General Purpose Reserve allocation when using the unassigned fund balance.

The County recognizes that unforeseen events may cause the use of unassigned fund balance which will result in it falling below the established minimum. However, if this occurs, or is expected to occur within the five year planning cycle, the budget balancing strategies will be invoked to determine corrective actions. When necessary, the following budget balancing strategies will be used in order of priority: 1) Seek other revenue opportunities, including new service fees or increase existing fees; 2) Reduce expenditures through improved productivity; 3) Reduce or eliminate services; 4) Reduce employee salaries and benefits. After evaluating and implementing where possible the above budget balancing strategies, the unassigned fund balance may be used as a temporary fix to address an ongoing budget gap if incorporated in a multi-year plan to balance ongoing revenues and expenses. A planned draw down of unassigned fund balance generally should not exceed 3% of locally funded appropriation in a given fiscal year.

Unassigned Fund Balance Replenish Procedures

Generally before the unassigned fund balance can be withdrawn below the target, a replenishment plan must be adopted. The unassigned fund balance shall be built up with one-time sources until the established target is achieved/replenished. One-time sources will be used to replenish reserves before using for one-time, non-emergency expenses.

**DEBT POLICY**

The objective of the County's Debt management policy is to minimize the amount of outstanding debt necessary to fulfill its infrastructure and economic development responsibilities, and maintain the County's ability to incur present and future debt at minimal interest rates. The use of debt shall not endanger the County's ability to finance essential County services. The County recognizes that capital markets change and unforeseen circumstances may occur resulting in situations that are not covered by this policy. In such situations, flexibility to modify certain policy requirements may be necessary to achieve policy goals.

General

Debt will not be used to finance ongoing operational costs. However, debt may be used, where economically efficient, to reduce or eliminate current long-term operational liabilities. Whenever possible, the County shall pursue alternative sources of funding, when cost effective, in order to minimize the level of debt.

Types of Debt

General Obligation Bonds (property tax supported) usage will be evaluated first since it is the least costly debt. Public support will be assessed for ballot placement due to the costs involved for an election. Revenue Bonds/Certificates of Participation may be considered for use where General Obligation Bonds are not practical. Short-term borrowing, such as commercial paper, bond anticipation notes, and lines of credit, will be considered as interim funding sources in anticipation of long-term financing.

Issuance

The County may elect to issue bonds/certificates of participation as variable rate instruments to provide flexibility and/or to attempt to achieve interest savings. There are guidelines to be considered when issuing variable rate debt: 1) Economic and cash flow projections for variable rate issues shall be calculated at the then applicable fixed rate. 2) The County will first consider structuring the principal and interest repayments related to the entire project for which the debt will be issued on an approximately equal annual basis over the life of the borrowing. 3) Total variable rate debt shall be limited to no more than 25% of total debt outstanding. 4) No less than annually, analysis of each outstanding variable rate bond issue shall be undertaken to determine the advisability of converting the issue to fixed-rate debt. 5) Variable rate bonds shall be structured to protect the County to the greatest extent possible against cyclical interest rate fluctuations.



**Management**

County financial management policies shall be designed to maintain a balanced relationship between debt service requirements and current operating costs, encourage growth of the tax base, actively seek alternative funding sources, minimize interest costs and maximize investment returns. In accordance with this principle, the following must be considered: 1) The County shall issue bonds with terms no longer than the economic useful life of the project. 2) The County shall obtain secured guarantees for bonds supported by a dedicated revenue source to the extent possible. 3) The County shall also obtain assurances of project viability and guarantees of completion prior to the issuance of bonds. 4) The County shall invest the proceeds of bond/certificates of participation sales to conform to State and County requirements to maximize investment security and earnings. 5) The County shall establish affordability guidelines in order to preserve credit quality, which may be suspended for emergency purposes, or because of unusual circumstances.

**CAPITAL BUDGET POLICY**

The objective of the Capital Budget policy is to ensure that the County maintains its public infrastructure in the most cost efficient manner. The County's capital budget will include as complete, reliable, and attainable cost estimates as possible.

Project cost estimates for the Capital Budget should be based upon a thorough analysis of the project and are expected to be as reliable as the level of detail known about the project. The plan for funding projected staffing, operation and maintenance, and utility costs must be identified as part of the approval process for each capital project. All Capital Budget proposals shall be formulated and presented to the Board of Supervisors within the framework of a general capital budget in conjunction with the operating County General Fund Budget. Capital projects will not be budgeted unless there are reasonable expectations that resources will be available to pay for them. Capital projects which are not encumbered or completed during the fiscal year will be re-budgeted or carried over to the next fiscal year, except as reported to and subsequently approved by the Board. All re-budgeted capital projects will be so noted in the Adopted Capital Budget. Similarly, multi-year projects with unencumbered or unexpended funds will be carried over to the subsequent year(s).

Periodic financial reports will be prepared to enable the County Administrative Office to monitor/manage the capital budget and compare actual program revenues and expenditures with budgeted amounts. The Board may take necessary action, including increasing appropriation or revenue, to maintain a balanced Capital Budget. Major capital assets will be inventoried and assessed on an annual basis to project long-term equipment replacement and maintenance needs.

**INVESTMENT POLICY**

The Investment Policy is prepared in accordance with California State Law, reviewed annually by the County's Treasury Oversight Committee and approved by the Board of Supervisors. The policy establishes cash management and investment guidelines for the County Treasurer, who is responsible for the management and investment of the County Treasury Pool, which consists of the pooled monies held on behalf of the County, school districts, community college districts, and certain special districts within the County.

It is the policy of the County Treasurer to invest public funds in a manner which will preserve the safety and liquidity of all investments within the County investment pool while obtaining a reasonable return within established investment guidelines. The portfolio should be actively managed in a manner that is responsive to the public trust and consistent with State law. The County investment pool will be guided by the following principles, in order of importance 1) The primary objective of the County Treasurer when investing public funds is to safeguard investment principal; 2) The secondary objective is to maintain sufficient liquidity to ensure that funds are available to meet daily cash flow requirements; 3) The third objective is to achieve a reasonable rate of return or yield consistent with these objectives.

The Investment Policy contains a requirement that 40% of the County investment pool should be invested in securities maturing in one year or less, and the entire portfolio shall not exceed a duration-to-maturity of 1.5 years. Investments of the County pool are placed in those securities authorized by various sections of the California Government Code and the County's Investment Policy, which include obligations of the United States



Treasury, agencies of the United States Government, local bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium term corporate notes, and shares of beneficial interest in diversified management companies (mutual funds). Investments in repurchase agreements cannot exceed a term of 180 days and the security underlying the agreement shall be valued at 102% or greater of the funds borrowed against the security.

With respect to reverse repurchase agreements, the Investment Policy provides for a maximum maturity of 92 days (unless the reverse repurchase agreement includes a written guarantee of a minimum earning or spread for the entire period of such agreement) and a limitation on the total amount of reverse repurchase agreements to 10% of the total investments in the County pool. Securities lending transactions are considered reverse repurchase agreements for purposes of this limitation.





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